The European Business Review

Why AI Underperforms and What to Do About It

When Innovation is (not) at the Core

The Future of Luxury Talent

When Autonomous Driving Technology Meets Hospitality

July - August 2019
europeanbusinessreview.com

Atradius & Kemiex
Shaking up the Raw Material Trading Landscape
in Pharma, Veterinary, Food and Feed

ISSN: 1754 5501
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USA $22 EU €17.5
CAN $22 UK £15

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Stay Ahead in Turbulent Times

How do you stay ahead of your competition is a question we strive to answer in each edition of The European Business Review. In today's fast-changing and hyper-competitive digital age, this question becomes more important than ever before.

With the emergence of different innovative ideas and new business models, companies need to adapt to new ways of working in order to remain the leader in their respective fields. For this issue's cover story, we feature an example of a successful collaboration between two industry leaders - Atradius and Kemiex - who integrate digitalisation and credit insurance to offer a sophisticated online trade platform for APIs, Vitamins and other food and feed additives.

Whilst some are benefiting from the latest technological innovations, some find their investment not delivering the results they expected. Mihnea Moldoveanu argues that the communication and skills gap between executives and developers disrupts the rise of AI into further utilisation. He explores the importance of resetting their skills to develop new ones to bridge the gap and for the AI industry to live up to the world's expectations.

Furthermore, to guide organisations through the turbulent waters of the digital era, we need new frameworks to help shape organisational strategy and decision-making. Mike Cooray and Rikke Duus introduce a new strategising framework "TRIP" that is designed, developed and tested to support organisations to navigate and maneuver in digital spheres.

Gregory Gimpel and Allan Alter argues that for companies to harness data-drive insights in today's Industry 4.0 age, they can actually leverage the "dark data" they already have generated from their existing operational process and technology.

But what if the innovation is not at the core of your business? Claudio Cisullo argues that there is no reason to treat it as it were, and many companies will be better off if they procure (outsource) their innovation function.

Moreover, Howard Yu and Jialu Shan argue that one defining character of pioneering companies that stay ahead of their competitors is that they leap: they jump across knowledge disciplines to leverage and create new knowledge about how a product is made or a service is delivered.

In our Future series, we turn our spotlight on the Luxury industry and the new "Transpitality" industry. Ashok Som weighs up the changes and challenges ahead for the luxury industry and sets out the skill sets luxury brands will require of its employees both onboard and onboarding.

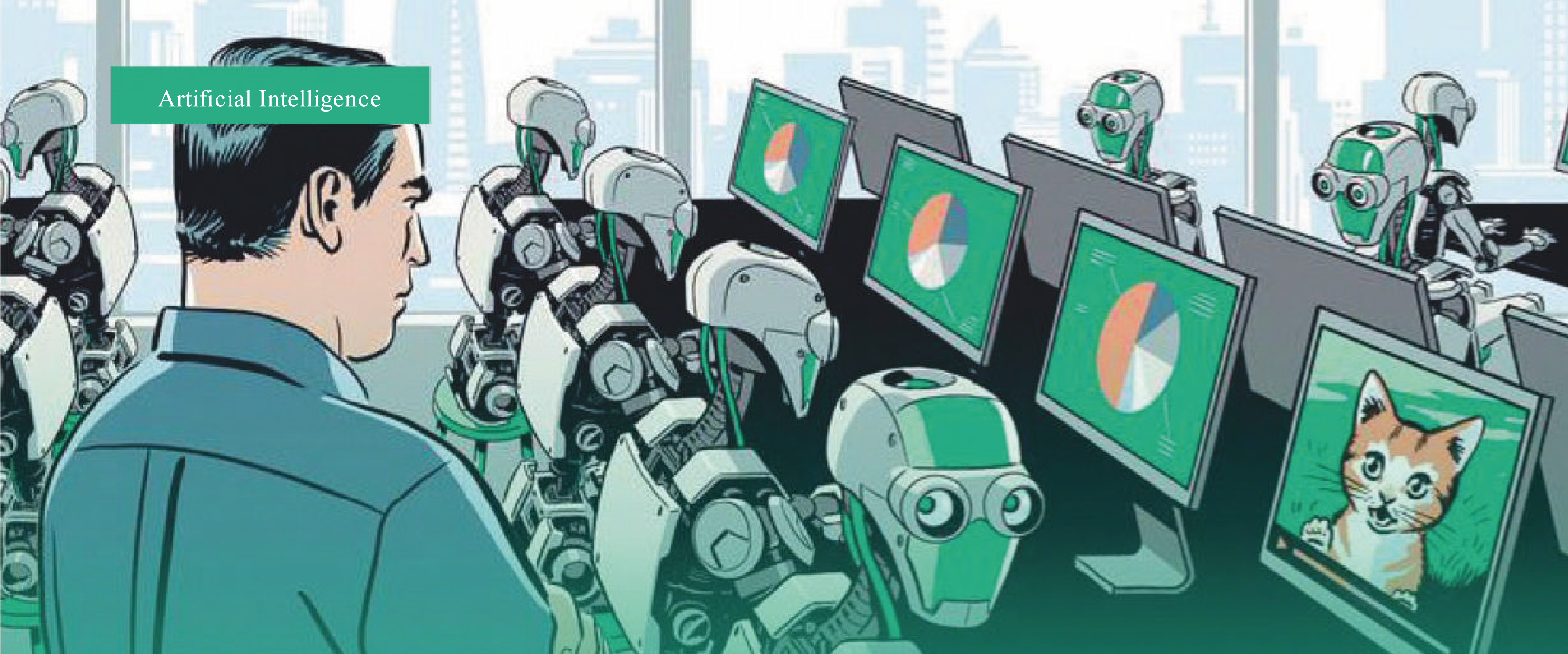
Steve Lee, Won Yong-Oh and Irene Yi discuss how autonomous driving technology will disrupt several related industries, and proposes that "transpitality" (transportation + hospitality) will emerge as one of the new forms of business.

In our Top Executive Education with the Best ROI feature series, we had the pleasure of sitting down with Dr. Kishore Sengupta, Cambridge Judge Business School's Director of Executive Education. He shared with us his views on the state of Executive Education and how Cambridge Judge combines research excellence and practice expertise to meet the demands of business in the face of the rapidly changing world.

Further in the issue, we also explore other important topics concerning scaling agility, Digital ID verification, fintech, transformation, negotiation and talent management.

We hope that you enjoy reading this issue and that you find crucial insights that help you to become a better leader and aid your organisation to navigate successfully into the future.

Production & Design: Angela Lamcaster **Print Strategy:** Stefan Newhart **Production Accounts:** Lynn Moses **Editors**: Elenora Elroy, David Lean **Group Managing Editor:** Jane Liu **Editor in Chief:** The European Business Review Publishing Oscar Daniel **READERS PLEASE NOTE:** The views expressed in articles are the authors' and not necessarily those of The European Business Review. Authors may have consulting or other business relationships with the companies they discuss. **The European Business Review:** 3 - 7 Sunnyhill Road, London SW16 2UG, Tel +44 (0)20 3598 5088, Fax +44 (0)20 7000 1252, info@europeanbusinessreview.com, **www.europeanbusinessreview.com** ISSN 1754-5501



Intelligent Artificiality:

WHY 'AI' DOES NOT LIVE UP TO ITS HYPE – AND HOW TO MAKE IT MORE USEFUL THAN IT CURRENTLY IS

BY MIHNEA MOLDOVEANU

Organisations need to urgently take action to address the communication and skills gap between their corporate leaders, key decision makers and AI developers, in order to reap the full benefits of AI innovation and transform into an AI-competent organisation.

What lies at the root of the gap between the promise of AI and the practice of an AI–based strategy? As recent evidence-based inquiry suggests[1], companies widely report that the adoption and use of AI techniques significantly lag the promise they were led to believe AI holds for making work more efficient and productive. The answer is **not technical**. It is organisational and cultural: A massive skills and language gap has emerged between key organisational decision makers and their 'AI teams'. It is a **barrier to innovation** in the workplace that promises to stall, delay or sink algorithmic innovations for the next decade or more. And it is **growing**, not shrinking.

The Skills Gap. Here is the crux of it. The skill sets of those in the upper echelons of organisations are out of sync with those creating 'AI solutions':

- Executives know ***how to talk to other people***. (See figure 1) They have complex and well-honed abilities for listening, empathising, deliberating, energising and de-energising meetings, emoting and reading others' emotional landscapes and adapting their ways of being to seemingly intractable social situations.
- Those who develop machine learning solutions to business problems know ***how to talk to machines***. They write pseudo-code and code, develop large scale platforms that scale to millions of users, aggregate data in multiple formats from multiple sources, specify and code interfaces for users that incentivise them to interact with the machines they build via combinations of words, images, colors, haptics, and action prompts.
- Developers want clear, precise instructions that are easily translatable into code or pseudo-code; but –

A massive skills and language gap has emerged between **key organisational decision makers** and their **'AI teams'**.

1 . Sam Ransbotham, David Kiron, Philipp Gerbert and Martin Reeves, *Reshaping Business With Artificial Intelligence*, MIT Sloan Management Review-BCG Report 59181.

The **algorithmic skills gap** arises because people belonging to these two groups cannot speak to one another in productive ways. They aim differently, see differently, think differently and feel differently.

- Business development executives provide them with stories and anecdotes. This lack of computational savvy gap near the top of hierarchical organisations has been a problem for every 'IT' wave in business dating back to the 1990's – but the widespread use of ML algorithms working on large data sets exacerbates this problem and brings it to a boil.

The algorithmic skills gap arises because people belonging to these two groups cannot speak to one another in productive ways. They aim differently, see differently, think differently and feel differently:

- Machine learning programmers want clearly specified cost functions they can use to train their algorithms; but –
- Chief strategy officers and business development executives supply them with aspirational goals phrased in the fuzzy language that coders routinely call 'corporatese'.
- Big data, multi-user platform developers want clear allocations of decision rights among the end users of the platforms that specify who gets access to what information when and who gets access to information about the identities of users having access to information and the specific levels of user privacy that are achievable given the precision and reliability of the statistical analyses these data are used for; but –
- Clients will only talk about broad principles of fairness, diversity and inclusivity that should be used to design the platform they are contemplating purchasing, but do not specify these concepts to levels of precision that makes them amenable to algorithmic implementations.

Figure 1

We need to bridge the skills gap that leads to this self-perpetuating communication debacle. Organisations need people who can talk to ***both people and machines*** and people ***who can talk to people who talk to machines to inhabit their upper echelons.*** Key to competent communication and collaboration is a common language and pattern of reasoning that makes financiers able to communicate to

engineers and marketeers – which I have called ***Intelligent Artificiality.***

The current lingua franca of business is a significant part of the problem. The proliferation of economists in business school faculties since the 1960's has contributed to the production of a common language system ('cost benefit analysis', 'competitive mapping and simulation of competitors' responses, marginal cost and rates of substitution analysis, portfolio planning, ...) in which executives plan their actions and justify their decisions. In the age of fast algorithms working on distributed data sets, this language system is outclassed and thus dated. It needs to be replaced.

By what?

Communication Codes and Protocols for the AI-competent Organisation As Stephen Wolfram and Jeanette Wing have argued, ***computational thinking*** needs to be proactively expanded beyond the current reaches of computer science departments and technical teams. Wolfram points out that, for any field of human endeavour X (from linguistics to architecture, from logic to music and from plasma physics to dance ethnography) there is now a specialised field of ***computational*** X: e.g. computational analysis of discourse, computational historical research, etc. Businesses have been too slow to get with the computational wave, and are paying the price.

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What to do?

- Computational modeling should complement causal (physics, thermodynamics) and teleological (economics, parts of psychology) modeling in everyday business discourse – as well as in business. Computational strategy, computational marketing, computational logistics and computational hiring should come next. The language of business needs to meet the language of computer science on an equal playing field;
- Intelligent artificiality – the discipline of specifying business problems and challenges at the algorithmic and computational levels including the procedures, routines, data sets, objective functions and tolerable error rates for possible solutions – should complement and in some cases replace the standard conversational capital imprinted from economics, finance and accounting.
- The basic operations of defining and structuring problems, enumerating and evaluating solutions, designing solution algorithms, iterating on a solution of the requisite accuracy and reliability, and evaluating the complexity of a problem before trying to solve it – should become the ***lingua franca*** of executive dialogue and of design – and solution-oriented conversations between executives and their technical teams;
- Practice-guided training – helping executives turn 'business problems' into 'computational problems' intelligible to coders and scientists – should be deployed at scale to help executives appropriate and master language for designing solutions;
- Those trained in talking to machines – researchers and developers – must be helped to develop ways of broadening the domain to which their current patterns of speaking and referring apply: not just sterilised data sets already parsed into the requisite variable fields stored in the right database formats, but real organisational entities like people, tasks, roles, decision rights, incentives, expertise, product features and the architectural topologies or products, services, value linked activity chains and organisational influence networks;

IT IS TIME FOR CEO'S AND CTO'S TO TAKE CONTROL OF THE SO-CALLED 'AI AGENDA' AND SPEAK THIS TRUTH TO THEIR TEAMS: "WE **DO NOT** – AND **NEVER WILL** - HAVE 'AN AI STRATEGY'.

- Organisations must develop the **relational and communicative skill base of their technical team members.** Functioning competently in a top management team or board meeting is about much more than accurate reporting, valid reasoning, 'critical thinking', 'making decisions' and the production of proofs of optimality or uniqueness of a solution. It is about finding **successful modes and means of expression, choosing language to match context, and producing patterns of facial, vocal and gestural expression that evince the right level of conviction, responsiveness and trustworthiness;**
- So-called 'soft skills' are among the **hardest to develop and wield**. They are best thought of as 'hot skills': you need to deploy them in emotionally hot states and they are 'market-hot'. It is time organisations recognised them for what they are and took on the challenge of developing them in those that have been relegated to the category – or is it a dust bin of 'autistic technical experts'?

The Reset. 'AI strategies' fail because AI is a means, not an end – which is what 'AI strategy' misleadingly implies. The daftness of the 'Do you have an AI strategy?' question jumps out when you ask, "Do you have an Excel strategy?" This is a daft error that leads to half-baked algorithmic solutions looking for real business problems, inaccurately reported technical advances using specious examples to make exaggerated claims aimed at garnering corporate resources managed by misinformed executives, and venture capitalists and entrepreneurs slapping 'AI' on their funds and products even when peddling technology developed in the 1960's to lower their costs of capital and attract new funds.

This is a degenerative state of affairs. It is unfortunately fuelled by a coterie of AI pundits and economists that have never written a line of commercial code, designed an algorithm, or built a platform that uses machine intelligence or a business that sells it. It is time for CEO's and CTO's to take control of the so-called 'AI agenda' and speak this truth to their teams: "We **do not** – and **never will** – have 'an AI strategy'. That is as absurd as having a PowerPoint strategy. We **will** come up with solutions to ***business problems*** using methods congenial to computational scientists, researchers and coders, and thus bring their skills to bear on producing the best products in the industry."

The tools for doing so are at hand. And the resources currently being wasted on 'AI strategies' are misspent. Let us reallocate them smartly.

About the Author

Mihnea Moldoveanu is Desautels Professor of Integrative Thinking, Professor of Economic Analysis and Vice Dean of Learning, Innovation and Executive Programs at the Rotman School of Management, University of Toronto, where he is also the Founding Director of the Mind Brain Behavior Institute and the Desautels Centre for Integrative Thinking. He is the Founder of Rotman Digital, the Rotman Self Development Laboratory and the Joe Weider Foundation Leadership Development Laboratory. He is past Founder, CEO and CTO of Hefaistos, Inc. (designer manufacturer of ADSL modems) and of Redline Communications, Inc. (TSX: RDL) a leading manufacturer of cellular base stations and broadband wireless networks. He is a Senior Advisor to the Boston Consulting Group and a member of the global advisory board of McKinsey Academy. A Top 40 under 40 for his contributions to business and academia, Moldoveanu is the chief architect of 3 machine learning platforms for increasing the effectiveness of skill development in business and higher education.

TRIP Framework: Re-Thinking Organisational Competitiveness in Digital Spheres

BY MIKE COORAY AND RIKKE DUUS

Across industries, organisations are in search of new ways to enhance their competitiveness in the midst of digital disruption and a changing competitor landscape. To guide organisations through the turbulent waters of the digital era, we need new frameworks to help shape organisational strategy and decision-making. In this article, we introduce a new strategising framework that is designed, developed and tested to support organisations to navigate and maneuver in digital spheres.

The nature of competition across many industry sectors is changing. Organisations that were traditionally archrivals are now driving innovation together through collaboration. This is prevalent in the automobile industry where new partnerships are forged between some of the industry's strongest incumbent players, for example BMW and Mercedes, with a view to share resources to push forward new vehicle platforms, electric-car batteries and autonomous-driving technology. At the same time, born-digital organisations are seeking to disrupt entire ecosystems and destabilise the competitive landscape. In the automobile industry, Waymo, the autonomous vehicle unit of Google's parent company, Alphabet, is making waves and recently[1] launched a robo-taxi service in Chandler, Arizona, for people enrolled in its early rider programme (there is, though, still a human behind the wheel. Just in case!)

Due to the influx of digital technologies and changing business models, many incumbent organisations have struggled during the last five to ten years of digital transformation, failing to adapt to new industry dynamics, changing customer preferences and the speed of innovation.

To achieve and retain a competitive position, it is critical to look outside of the organisation's core ecosystem and anticipate the emergence of competition from affiliated and 'invisible' sources. Many organisations do no longer align themselves according to a 'core business', but utilise their resources, capabilities and competences to stretch the organisational playing field across multiple industry sectors.[2]

Organisations are striving to become agile and responsive in order to play in emergent 'white spaces'. To attain a flexible and adaptive organisational mindset, it is necessary to focus more on organisational 'strategising' than 'strategy'. Organisational strategising reflects the doing and practice of performing and responding to an emergent

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environment, learning from past decisions and behaviours and adapting these to inform how to respond to future opportunities and challenges.[3] Members of the organisation make use of their 'practical mastery'[4] to navigate new situations, relying on their tacit and embodied knowledge and experiences.

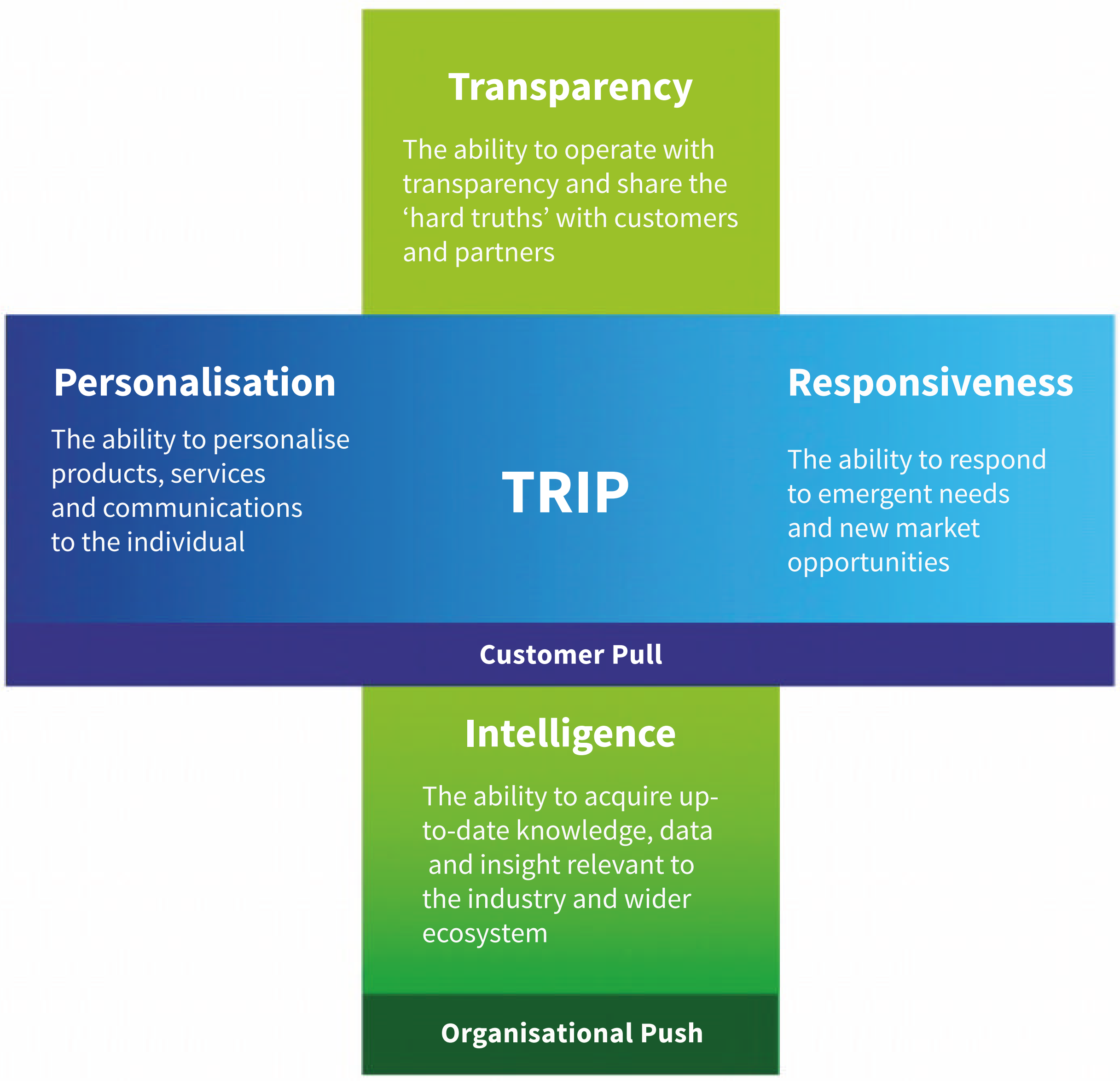
The TRIP Framework

In response to a complex, fast-changing and digitally-driven environment, we have developed the TRIP strategising framework. TRIP is useful for decision-makers across organisations and industry sectors to help assess, analyse and navigate their environment and identify new opportunities for value creation. TRIP consists of four dimensions: Transparency, Responsiveness, Intelligence and Personalisation. These are four core areas that all organisations, including incumbent and born-digital, need to be alert to and, when invested in, can help steer the organisation towards new white space opportunities.

The four dimensions interact to create a dynamic 'Organisational Push' and 'Customer Pull' effect. The two dimensions, 'Transparency' and 'Intelligence', are driven by the organisation (Organisational Push), seeking to enhance its competitive position through openness and sharing (Transparency), while also being proactive in advancing knowledge and insight of the immediate and augmented ecosystems (Intelligence). Thus, Organisational Push is primarily propelled by the organisation, while Customer Pull, through 'Responsiveness' and 'Personalisation', reflects new demands and expectations driven by the market. We propose that organisations will need to become flexible in their approach and willing to venture outside of their core business in order to respond to emergent needs and new opportunities (Responsiveness). At the same time, many organisations will also benefit from the ability to meet individual customer and stakeholder demands and preferences (Personalisation).

The TRIP strategising framework can be used effectively within organisations to ascertain current engagement and performance on these four important dimensions. This can be used as a foundation to re-imagine the organisation's strategising approach for the medium- to long-term future.

While organisations may wish to focus on all four TRIP dimensions simultaneously, prioritising a single dimension from Organisational Push (Transparency or Intelligence) and Customer Pull (Responsiveness or Personalisation) can help those organisations, needing to move swiftly, focus on identifiable and actionable strategic initiatives.



Transparency

Transparency is critical when considering the strategic path of the organisation. With regulatory frameworks catching up with the digital revolution, customers and wider ecosystem partners are demanding organisations to possess and express a heightened level of transparency.

Customers and contributing partners of the organisation will increasingly demand transparency prior to deciding on their level of engagement. They will prefer to engage with organisations that adopt a clear-box approach to their business practices. In recent years, we have witnessed many

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leading organisations getting caught in the spotlight for their unethical and, sometimes, illegal actions. This includes senior executives of leading banks (e.g. Danske Bank), automobile manufacturers (e.g. Nissan, Audi and VW) and social media platforms (e.g. Facebook).

It is further critical for organisations to be open and transparent as gradually legislators will be looking deeper into unfair practices and more companies will become exposed. We see several examples of organisations, such as Google[5], Apple and Qualcomm, being handed extensive fines and taken to task by the media for their actions. This underlines the urgency for organisations to revisit their business practices and proactively embrace organisational transparency.

A fundamental pillar of being a transparent organisation in the digital age is the approach to consumer privacy and data.[6] In our recent research[7] with individuals from GenTech (19 to 24-year-old digital technology users), we found that 54% are very concerned about the access organisations have to their data, while only 19% were not worried. More than 70% felt that too much of their data is in the possession of a small group of global companies, including Google, Amazon and Facebook. Thus, the digital native generation has begun to question and show scepticism towards the data-driven behaviours and business models of many organisations. This creates vital opportunities for new organisations with high levels of data transparency and user privacy options.

Transparency, not only, relates to how an organisation handles customer data, but also its adoption of sustainable and ethical business practices. We have already seen the emergence of organisations such as Ecosia (a non-profit search engine that diverts a proportion of its revenue to tree planting projects around the world), Bulb (renewable energy supplier), and Buffer (shares publicly information on salaries, investments and financial performance), build in transparency as part of the core organisational ethos. Other organisations and platforms, such as as CoGo and Zerowastenear.me, connect consumers directly with ethical and sustainable businesses.

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Organisations should give thought to how they can obtain a higher level of transparency in the way they operate, communicate and participate in the wider society. We strongly believe that consumers and other ecosystem partners will soon demand a high level of transparency, and ethical and moral standing of organisations. Such enhanced state of transparency will no doubt create new competitive opportunities in current and emergent markets.

Responsiveness

The ability to respond to emergent needs and new opportunities is central to an organisation's competitiveness. At a time when new needs are facilitated by digital technologies, the responsiveness of organisations will be the decider for their success or failure. We see organisations that are able to foresee and respond to emergent needs, aligning necessary competences and expertise to benefit from these new opportunities in digital spheres.

Being responsive means monitoring local and global trends that affect the organisation's own industry and those to which it is affiliated. One of these global trends is the growth of urban environments, with 68% of the world's population anticipated to live and work in cities by 2050.[8] This will create significant opportunities for organisations and other contributors to respond to new citizen needs. We have already seen consumer habits change rapidly due to digitisation of consumption and the growth

of consumer communities that drive opinions, behaviours and preferences. Concurrently, many industrialised nations will continue to embrace new technologies, including 5G telecommunications. 5G connectivity is expected to dramatically increase internet speed and coverage, which will help fuel the era of Internet of Things (IoT) as well as augmented and virtual reality.[9]

IKEA is fundamentally re-thinking their role and purpose: through their innovation hub, Space10, IKEA is experimenting with solar energy, micro-grids and blockchain technologies

IKEA is an organisation that is continuously responding to social, cultural and technological change, adapting the form of the organisation to enhance its relevance. IKEA's latest responses include the introduction of an IoT enabled smart lighting range, small-format shops in selected megacities to reach city consumers, partnering with TaskRabbit to offer customers easy and convenient help with furniture assembly, and developing a partnership with Big Clean Switch, a social business helping consumers to switch to green energy. However, we also see how IKEA is more fundamentally re-thinking their role and purpose as an organisation. Through their innovation hub, Space10, IKEA is experimenting with solar energy, micro-grids and blockchain technologies through the 'SolarVille' initiative. Their 'Building Blocks' initiative seeks to drive forward innovation for low-cost, adaptable, modular and sustainable homes to be manufactured locally. Clearly, IKEA is an organisation in strategising mode, challenging the status quo and proactively using technology to respond to new needs and aspirations.

To enhance responsiveness, organisations will need to embrace the practice of strategising that enables change of direction to pursue new and emergent opportunities. They should also review their need for new skills and competences with a more tech-enabled workforce, digitised operational systems that enable multiple internal and external partners to 'plug in', and learning and development strategies to ensure the organisational workforce is fuelled and ready to respond to the new demands.

Intelligence

Organisations that are transparent and responsive will march ahead to thrive in dynamic and digital environments. However, it is of critical importance that such organisations are also able to acquire cutting-edge knowledge, deep insight and reliable data and use this to design and execute new strategic initiatives. While there are reams of data available to organisations, this often creates 'data clutter', which leads to strategic confusion. Organisations also have the additional challenge of data quickly becoming historic, especially in fast-paced market environments.

We have seen both born-digital organisations and incumbents struggle to anticipate market and customer developments, losing sight of current and future trends. In many cases, this lack of intelligence has significantly harmed their organisational competitiveness. An example of this is the born-digital fashion retailer, Asos, which, despite much success since its launch in 2000 and a reputation for using digital technology to create innovative customer engagement, is now facing notable challenges. The company recently posted a near 90% drop in half-year earnings.[10] This drop in performance is attributed partly to the cost associated with expansion of warehouses, and partly to decisions made in relation

to pricing, marketing and inventory, which have led to a compromised customer proposition and a slowdown in customer acquisition[11]. As a way of regaining traction with consumers, CEO, Nick Beighton, announced that he will reinvigorate customer conversations and thereby gain better insight into the demands and aspirations of the customer base to realign the organisation's offerings. This underlines how important it is to stay close to the market and have an on-going dialogue with customers as a way of enhancing the organisation's intelligence.

Central to being an intelligent organisation also entails the ability to gather new knowledge and capabilities by working in collaboration with others. Often, an organisation will not possess all the skills, insight and capabilities needed to compete in highly competitive and digital spheres. Therefore, we see organisations enhancing their competitive position through partnerships and new collaborative value co-creation. One such company is TDC Group (leading Danish telecom company), which has initiated the creation of a dynamic ecosystem of SMEs and startups that develop new IoT devices and systems. TDC Group works directly with these companies to push forward cross-sector innovation and enhance their own IoT offering. All participants engage in learning and knowledge-sharing, enhancing their intelligence to support future innovation.

Personalisation

Personalisation has long been seen as the holy grail of many organisations' strategic aspirations. Digital technologies are enabling organisations to create a point of differentiation through an ability to personalise their products, services, experiences and communications. Customers increasingly demand personalised products and services that meet their needs more precisely. With enhanced manufacturing, design and logistics capabilities, organisations are striving to personalise their products and services to gain a competitive edge. However, it is expected that personalisation will continue to be the ever-persistent strategic challenge across industries, including automobile, fashion, construction, healthcare, travel and financial services.

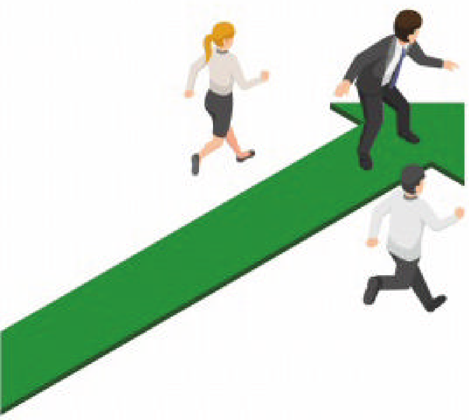
Many organisations, such as Vitality (insurance), L'Oreal (beauty and personal care) and Stitch Fix (fashion) are on a forward march to acquire, engage and sustain customers through personalisation, achieved through digital means. Personalising services, products and interactions can help to build relationships with customers and raise the perceived level of relevance.

Personalisation is, not only, a mode of engagement to be considered by private organisations. In the UK, the National Health Service (NHS) has developed a long-term plan for the implementation of universal personalised care[12]. In this context, personalised care considers the individual's strengths, needs and preferences and gives citizens choice and control over how care is planned and delivered.

Personalisation at a large-scale is often facilitated by the use of digital technologies, including artificial intelligence, machine learning algorithms and artificial neural networks. These are powerful technologies that learn about behaviours and trends to enable predictions about future preferences and tendencies. Organisations that employ such increasingly advanced technology in pursuit of mass personalisation also have a significant

With greater access to data and insight and some consumers willing to trade their personal information for enhanced products and services, we believe it is of critical importance for organisations to consider how they can enhance their ability to personalise.

Used effectively, the TRIP framework can help organisations enhance their relevance, adaptability and identify new white spaces to reach and occupy in digital spheres.



responsibility to gain consent and be honest about how they gather, analyse and use individuals' data.[13]

Once data is acquired to facilitate personalisation, organisations and institutions need to be able to protect it. Recent data breaches, such as that of British Airways[14], Swisscom[15] and SingHealth[16], clearly demonstrate that protecting sensitive data is an on-going struggle, even for large resourceful organisations.

Conclusion

TRIP is a distinctive strategising framework that is designed to assist organisations operating in digital spheres to enhance future competitiveness. The versatility of this framework is the ease of use for managers and strategists, being able to measure and ascertain the current performance of each TRIP dimension and identify how to shape, align and drive future organisational action. These actions can include, but are not limited to, competence building, initiation of collaboration with internal and external partners, and identification of specific investment needs and opportunities. Used effectively, the TRIP framework can help organisations enhance their relevance, adaptability and identify new white spaces to reach and occupy in digital spheres.

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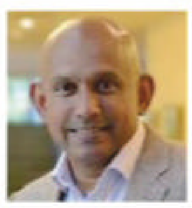
About the Authors



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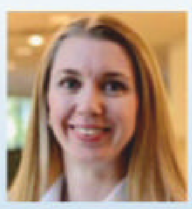

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Enter the Industry 4.0 Era Today by Using "Dark Data" You Already Have

BY GREGORY GIMPEL AND ALLAN ALTER

The Industrial Internet-of-Things (IoT), also known as Industry 4.0, provides new opportunities to harness data-driven insights to improve business performance. In reality, operational technology, production equipment, and other "things" already provide data that can improve – even transform – company operations. By answering four key questions, business leaders can benefit from this "dark data" today.

Enter the Industry 4.0 Era Today by Using "Dark Data" You Already Have

The Industrial Internet of Things (IoT), also known as Industry 4.0, provides a new opportunity to improve business performance through data-driven insights. A quick Internet search provides many details about the transformative potential of the IoT. Wireless sensors on patients will help hospitals to predict heart attacks before they happen, enabling preventative emergency measures.[1] Companies will equip employees with uniforms that detect hazards as a way to cut down on industrial accidents.[2] Sensors in roadways, sidewalks, and mass transit systems will manage traffic flow in real time, minimising traffic and the lost productivity and environmental cost associated with it.[3] IoT-enabled supply chains will become adaptive, self-organising, and super-efficient networks.[4]

Building the new IoT infrastructure will take years and many companies that can benefit from the IoT are not prepared to use the technology.

Building the new IoT infrastructure will take years and many companies that can benefit from the IoT are not prepared to use the technology.[5] Fortunately, companies can enter the IoT era today by using the "dark data" created by supply chain operations, production equipment, operational technology, and other existing "things". Presently, over 90% of these data are dark, providing a rich opportunity for companies to begin exploiting these information resources *today*.

Our interviews with senior executives suggest that companies can begin to take advantage of the opportunities enabled by dark data by asking four questions. What data are being generated? What problems can I solve with the data? Should we use

Sometimes, it is a classic situation of "not seeing the forest because of all the trees." Employees know about the data and use it every day. But because they view it as common, they don't recognise that it is a form of IoT data.

the data? How do I motivate the necessary investments? The answers will provide a guide for companies to use existing information resources to enter the IoT era now.

1 What data are being generated?

Although Big Data and the Internet of Things have become hot topics of discussion, those who want to analyse IoT data must first identify what data are being generated within their processes. In many cases, managers are only aware of a small fraction of the total data generated by operational technology and other equipment. The CTO of an Industrial IoT application provider explains: "most of the dark data we're probably not aware of [is dark] simply because historically we have not been looking for it. But the fact that it is dark data, it's data we weren't thinking as having value, we weren't cataloging it or indexing it." Different functional units within an organisation may be unaware of the data generated by their sister units. The managing director of an analytics service firm paints an all too common scenario: "I remember a customer being with a client and their IT department, and the client said, 'Well, if I had X & Y, I could do that.' He then explains the IT department's answer: 'Yes, we know we have this. We have the data. Why don't you ask us?' Well, the line of business is not going to ask what they don't know."

Sometimes, it is a classic situation of "not seeing the forest because of all the trees." Employees know about the data and use it every day. But because they view it as common, they don't recognise that it is a form of IoT data. The managing director of a consortium of IoT companies shares how common this is in the oil refining business: "There is a significant amount of intelligence, information, or data from a petrochemical refinery that would be considered instrumentation of the physical world. Being in the middle of it could be blinding me to the possibilities of how it's different."

Our research finds that data audits are effective solutions for breaking down information silos and for bringing overlooked data to light. A related strategy is to start charging for data storage, which can motivate business units to take a close look and reflect upon what kinds of data they are creating.

Companies need to educate employees that much of the IoT is old technology that they already use, not some mysterious innovation, and that the information it produces is IoT data. Sometimes, people may need an extra incentive to identify the data they generate in their operations and other processes. For example, a deputy CIO who we interviewed suggests that companies create games in which people identify data, contemplate its value, and are rewarded for finding new uses for existing data.

2 What problems can I solve with the data?

Even when organisations know that they are generating IoT data, they may not understand which challenges the existing IoT data are well suited to solve. The CEO of a Healthcare IoT firm explains: "People don't understand what to do with the data – they're not educated enough." He explains that many companies do not know how to leverage simple website data and information from basic forms, let alone IoT data.

IT people and data scientists need to explain to business executives what can be done with their existing data. These conversations need to focus on the business case – presenting data and technology as tools for helping solve business problems, not as ends in themselves. The managing director of an IoT technology lab explains the need to frame conversations around business issues rather than technology:

> *"At the end of the day it's always about… a handful of things. It's always about improving the product or service experience for your customers. Doing your job better. Doing it at a lower cost or being able to manage that cost so that you have fewer surprises. Enhancing your ability to drive revenues, primarily through existing services, with new or existing customers."*

Straightforward discussions with techs and data scientists will help business executives understand the potential benefits they can achieve by leveraging the assets they already have. The CEO of a Healthcare IoT firm explains: "They [the business executives] need to start knowing what's possible so they start dreaming bigger to create better services and products."

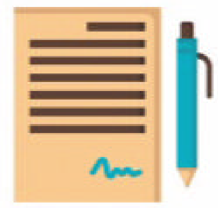
3 Should we use the data?

Even when organisations know that information exists and have a strategically relevant plan for analysing the data, they still may lack the legal right to use the data. Some firms may have permission to use it only for specific purposes, cutting off the opportunity to repurpose the data to generate new insights. Others may be precluded from using the data at all. Such has been the case, at least until very recently, with heavy equipment. The original equipment manufacturers (OEM) have been embedding connected sensors for decades.They have full access to the data generated from the machines they sell. But what about the users of the equipment? Only recently have some of these end users been granted access to the data that they generate.

Consumer-facing companies must consider customer responses to using their data. The senior data scientist at a leading consumer products company explains how concerns about customer trust have influenced their decision against using dark data generated by their consumer products: "First and foremost is the consumer trust. We have to earn that. So we can't do anything with the data that comes anywhere close to something that would violate any privacy…" Companies may decide that the potential loss of trust outweighs the potential gains, or conversely, they may decide that they can manage the risk, thus benefitting from deeper customer relationships resulting from dark data.

Laws differ country by country. Technology advances faster than the law. Regulations are in flux and changing rapidly. Even when laws like the GDPR aim to provide standard rules, the exact meaning of such regulations may rely on court precedents and future case law as much as the actual letter of the law. As a result, the legality of using a certain set of dark data can remain unclear. The director of an analytics think tank explains how the uncertain legal environment creates a chilling effect on the use of dark data: "I don't want my executive to end up in court because they used somebody's data the wrong way."

Our research suggests ways to address trust concerns. To build trust with consumers, avoid lengthy user agreements. Instead, use short terms-of-service written in plain language, explaining clearly how data will be used and stating the ways it will never be used. In business-to-business environments where collaborators could potentially use partner data against each other, enlist trade associations to aggregate and analyse data to provide insights useful to all members. This can



To build trust with consumers, avoid lengthy user agreements. Instead, use short terms-of-service written in plain language, explaining clearly how data will be used and stating the ways it will never be used.

STRAIGHTFORWARD DISCUSSIONS WITH TECHS AND DATA SCIENTISTS WILL HELP BUSINESS EXECUTIVES UNDERSTAND THE POTENTIAL BENEFITS THEY CAN ACHIEVE BY LEVERAGING THE ASSETS THEY ALREADY HAVE.

provide data sharing benefits while preventing unauthorised use of proprietary information.

When faced with legal concerns, companies can take a conservative approach. They can play it safe by basing policies for every territory on countries with the strictest data regulations. On the other hand, companies can actively utilise the data today to create strategies and policies that will remain useful if laws change and preclude firms from collecting data or using it in certain ways in the future.

4 How do I motivate the investment?

The desire to exploit current opportunities can outweigh the motivation to invest for tomorrow – including data that will create future opportunities. Successful companies may be using all their resources to meet current customer demand. They simply do not have the slack human or financial resources needed for new types of data analysis or new data-driven initiatives. The managing director of an IoT technology lab elaborates: "much of the data ends up being dark after the fact that people are busy and they don't have excess capacity to go and hunt and peck for this data."

Similarly, the future value of dark data initiatives can be hard to assess with confidence. An IoT software executive explains how the nature of dark data makes forecasting ROI difficult: "One of the biggest differences between traditional data sets, and dark data sets, and potentially IoT dark data, is there's typically a time element associated with the IoT data. […] If you don't analyse the data or do something useful with it, you've lost the opportunity because time has passed."

To encourage the investment, whether pausing current operations to install data collection capabilities or allocating financial resources, frame dark data initiatives as solutions to existing priorities.

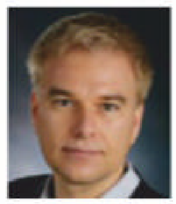
To encourage the investment, whether pausing current operations to install data collection capabilities or allocating financial resources, frame dark data initiatives as solutions to existing priorities. While dark data can create new opportunities, it can also provide benefits in the here and now. Whereas resources can be difficult to marshal around new initiatives, it is much easier to get buy-in for actions and investments that will help accomplish a company's current objectives.

Additionally, emphasise that exploiting dark data uses what you already have. A key advantage – and selling point – arises from the fact that dark data are already being generated. Existing data can be analysed to support existing work.

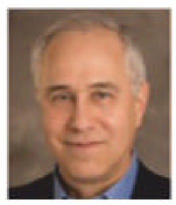
Conclusion

Substantial opportunities lay within the grasp of many companies. Leveraging existing dark data can create opportunities today, as well as build data management and analytics capabilities needed for new initiatives launched in an IoT-driven future. By answering four questions – what data are bring generated, what types of problems these data can solve, should we use the data given a particular business context, and how do I motivate the allocation of the necessary time and money – executives can effectively bring dark data into the light.

About the Authors



Gregory Gimpel is a clinical assistant professor of computer information systems at Georgia State University. Prior to GSU, he conducted digital strategy research at the Massachusetts Institute of Technology and he designed Ball State University's business analytics major. His research focusses on the intersection of emerging technologies, analytics, and digital business transformation. He worked in senior management positions for a decade before entering the academic world



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Scaling Agility:

The Fuel that Drives the Organisation's Digital Transformation

INTERVIEW WITH

Professor Stijn Viaene

In today's rapidly-changing corporate world, it's imperative for businesses and organisations to respond and adapt more quickly than ever before. Digital transformation provides opportunities by optimising resource usage, innovating capabilities and creating lasting relationships with customers. Throughout the organisations' journey in digital transformation, agility is one of the most important aspects to be looked at. In this interview, we had the pleasure of a conversation with Vlerick Business School's Professor Stijn Viaene, who talked to us about the importance of agile transformation and how it drives and delivers digital transformation.

Q Scaling agility is a huge topic right now, especially to organisations during their digital transformation journey. Could you tell us exactly what this is about? Does it matter to all organisations?

A Agility is what is required from organisations that want to thrive in turbulent environments, like the digital economy. It implies speed, flexibility, and most of all, responsiveness to change.

Today, people almost automatically associate agility with the introduction of self-organising, multidisciplinary teams. These teams are empowered to decide autonomously, without having to escalate decision making all the time. Publicly available models for implementing agile teamwork, such as Scrum or Kanban, have become increasingly popular.

Now, if you only have one such team, which is not too big, composed of highly competent people, and a team with a great team dynamics, then these agile setups can really work miracles. It is what fuels the success of digital start-ups.

On the other hand, what if you have 10, 20, 80 or more of these agile teams all running initiatives at the same time? With all sorts of dependencies

The importance of aligning, coordinating and integrating work is not new. It goes back to the very essence of making organisations work. What has changed though, is the backdrop against which we are organising: **turbulence, catalysed by digitalisation.**

At the risk of oversimplifying things, you could say that in the past, we organised for focus, cost, efficiency and stability. Today, we are still aiming for focus, but with emphasis on creating speed (speed-to-market), flexibility and choice.

amongst the teams and the projects, some teams may need the work of others as inputs. Projects of different teams may work with a common data asset. Teams may fight for the same scarce resources and talent. And, what if there's a great deal of legacy around, which the teams need to somehow work with?

This situation easily ends up in chaos, especially when the change has to come fast or very fast as in the digital age.

You will have to find ways to align the different team and project objectives, coordinate resource allocation, and manage to integrate the results without jeopardising the agility of the teams and that is quite a challenge. The challenge is referred to as scaling agility or creating agility at scale.

Q You have mentioned the need for aligning, coordinating and integrating work as critical to making agility at scale work. These things are essential in achieving the goals and focus of organisations. Over the years, what changes did you notice in terms of the goals and objectives of different organisations?

A The importance of aligning, coordinating and integrating work is not new. It goes back to the very essence of making organisations work.

What has changed though, is the backdrop against which we are organising: turbulence, catalysed by digitalisation.

At the risk of oversimplifying things, you could say that in the past, we organised for focus, cost, efficiency and stability. Today, we are still aiming for focus, but with emphasis on creating speed (speed-to-market), flexibility and choice.

It does not mean that the former set of objectives is less important in turbulent times, quite the opposite I would say, but the challenge has shifted very much towards combining these former objectives with the latter ones.

This immediately brings us to the paradox involved in scaling agility: introducing fast flexibility as well as stability at the same time. That is what makes it so hard to get it right. We'll have to effectively figure out where stability matters and where it can be relaxed.

However, one thing is clear: with the speed at which things are moving today, we are no longer able to achieve the right balance between flexibility and stability by relying on our human abilities alone. We'll have to work creatively with digital technologies to help us find and install the right balance between stability and flexibility.

Q As you have said, stability and flexibility are two major components that should be achieved through scaling agility. How will leaders be able to apply the concept of scaled agility in their respective organisations?

A There are several practice frameworks available for scaling agility to the enterprise level. They are all relatively new.

For example, there's "SAFe" which stands for "Scaled Agile Framework," but there's also "LeSS" – for "Large Scale Scrum," DAD which is "Disciplined Agile Delivery" and

more. Each of these frameworks has its own origins and scope.

One alternative, which many people could have heard about is the so-called "Spotify model," named after the way digital music streaming service, Spotify organises for agility at scale. A few years ago, it got a serious boost when Dutch banking group ING announced that it would emulate the model to accelerate its digital transformation. Spotify's model is a nice example for showcasing an organisation that is looking or a "minimum viable work and organising model."

In Spotify's model, the whole organisation is reconceived into relatively small autonomous, multidisciplinary teams – or "squads." A team has a "product owner," who represents the customer and who helps the team prioritise work. Each squad has end-to-end responsibility for a particular customer value mission.

Squads with closely related missions are grouped into "tribes;" groupings that are not too big, in order not to jeopardise agility. A "tribe lead" – a squad member himself – is responsible for connecting the dots between the squads.

People in the squads are also networked across squads and tribes based on their expertise or discipline. These are called "chapters." Chapters are groupings that create economies of scale.

Arguably, chapters are light-weight, light-touch functions. Light-weight, because their experts are supposed to operate from within the squads. There's no big central function team somewhere high-up into the organisation. Light-touch, because the discipline that the experts install for achieving economies of scale should not come at the expense of the squads' ability to deliver customer value fast and frequently. In practice, that's a hard balance to strike.

Finally, Spotify also talks about "guilds." These are essentially, communities of interest or practice. They work more organically than chapters. They allow people who share a common passion, interest or practice to come together to share experiences, cases and challenges, and even create shared best practices to follow. Guilds promote learning with a bottom-up drive.

Professor Stijn Viaene at Vlerick Business School

Q With all the diversity of frameworks and methods for scaling agility, in your view, what is the most effective way or mechanism that organisations should implement to become more agile at scale?

A What all the frameworks for scaling agility have in common is that they are suggestions. They are works in progress.

Now, for a work in progress to effectively progress, you need constructs in your organised model that stimulate learning, particularly learning by doing. You need mechanisms that allow you to iterate back and forth between acting and thinking to find new and better ways of working.

Personally, I believe that working with communities of practice – or "guilds" – can be a great mechanism to help organisations effectively learn how to become more agile at scale.

It goes something like this: People start by looking at their agile practices and routines as

It will be crucial to get the whole organisation work together in the same agile ways. That means introducing agility at the level of individuals, teams and the organisation as a whole. Only then will your digital transformation succeed.

Working with communities of practice also helps to make your agile and digital transformation inclusive, rather than exclusive. It allows you to shape the transformation as an open invitation for everyone to contribute. This way, the organisation can collectively learn how to do things differently and better, in view of winning together.

ABOUT THE INTERVIEWEE

Stijn Viaene is a full professor and partner at Vlerick Business School in Belgium. He is the director of the school's Digital Transformation focus area. He is also a full professor in the Decision Sciences and Information Management Department at KU Leuven University in Belgium.

real-life experiments, they regularly come together to share their experiences and discuss challenges related to their experiments, they then together evaluate which practices work and which don't. They decide to replicate what works and stop and take note of what doesn't work.

This cycle gets repeated at a steady rhythm, a rhythm at which the organisation is able to absorb the proposed changes. The idea is that you get better at this routine over time, allowing you to increase the learning rhythm. This way, the rate of change inside the organisation can be gradually synchronised with the rate of change on the outside.

Working with communities of practice also helps to make your agile and digital transformation inclusive, rather than exclusive. It allows you to shape the transformation as an open invitation for everyone to contribute. This way, the organisation can collectively learn how to do things differently and better, in view of winning together.

I would be happy to call these people who effectively take up that glove to help drive this collaborative learning journey, leaders. Not the kind of leadership that you'd find in the how-I-changed-my-company stories featuring superstar CEOs, but a much more humble, servant interpretation of leadership.

Q As you have mentioned, scaling agility is one of the hardest phases in organisation transformation. What are the common difficulties that organisations could face in their journey to transformation and what advice could you give to leaders for them to succeed in their digital transformation?

A It will be crucial to get the whole organisation work together in the same agile ways. That means introducing agility at the level of individuals, teams and the organisation as a whole. Only then will your digital transformation succeed.

All too often, unfortunately, the notion of agility and its implementation at the different organisational levels are done in a very unorderly fashion. There is no common frame, no common language, different support teams, little governance, etc.

That's a proven recipe for disaster. Leadership has a vested interest not to let this happen.

My advice is this:

1. Introduce customer-centricity as the number one unifying principle for your transformation.
2. Organise around customer value missions. Make small multidisciplinary teams, working iteratively and with fast customer feedback, responsible and accountable for creating and delivering customer value within the missions.
3. Learn how to make agile teamwork successful. Also, and most importantly, invest in learning how to align, coordinate and integrate these agile teams into an agile organisation that is more than the sum of its agile teams. Use communities of practice in accelerating these learning processes.
4. Invest in the power of digital technologies to create future-proof agility at scale.

Q Thank you so much Professor Viaene, it's a pleasure speaking with you. EBR

In his article *'What digital leadership does'*, published in The European Business Review May/June 2017 edition, Professor Viaene introduced a model for Digital Transformation Leadership that allows companies to operationalise organisational agility for turbulent digital times.

His **"4V model"** – covering 4 clusters of organisational agility practices at the highest level: **V**igilant, **V**oyager, **V**isionary and **V**ested – is an invitation for organisations to form their own 'communities of agile practice' around the Vs of the model, to help them actively learn how to become agile organisations.

More information:
https://www.europeanbusinessreview.com/what-digital-leadership-does/

HOW SOME COMPANIES BEAT THE COMPETITION . . . For Decades And Even Centuries

BY HOWARD YU AND JIALU SHAN

The average lifespan of companies is becoming shorter. For them to survive the competition it is important to learn to jump across knowledge disciplines and create new knowledge about how a product is made or a service is delivered. Using the Leap Readiness Index, the authors measure the readiness of financial institutes to leap to a new frontier of know-how to prepare for the future.

It's common knowledge among executives that while humans now live longer, companies die faster. In 1958, the average lifespan of companies listed in Standard & Poor's 500 Index was 61 years. Now it's less than 18 years, according to a study conducted by McKinsey. Others have suggested that nearly 50% of the companies currently in the S&P 500 Index will be replaced over the next 10 years. These companies will be bought out or merged or go bankrupted, like Enron and Lehman Brothers and Polaroid and Kodak. And those who escape may still struggle to restore their former fortune, such as General Electric, Panasonic, Sony, ABB, Citigroup, UBS, and the like.

The impetus is to leverage connectivity and artificial intelligence as part of their corporate strategy. No carmaker, for instance, will speak to investors without mentioning **"future mobility."**

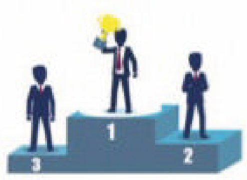
Every CEO is presumed to understand that, and also every executive, whose c-suite office either is or isn't situated at a current S&P 500 company. It's therefore no surprise to these executives that in 2019, the impetus is to leverage connectivity and artificial intelligence as part of their corporate strategy. No carmaker, for instance, will speak to investors without mentioning "future mobility." BMW is a "supplier of individual premium mobility with innovative mobility services." General Motors aims to "deliver on its vision of an all-electric, emissions-free future." And Daimler, the maker of Mercedes, sees the future as "connected, autonomous, and smart." In fact, automakers are on the cusp of making a major leap in their know-how from mechanical engineering with

Automakers are on the cusp of making a major leap in their know-how from mechanical engineering with combustion engine experts to that with electric and programming experts **– the same kind who build computers, mobile games, and handheld devices.**

combustion engine experts to that with electric and programming experts – the same kind who build computers, mobile games, and handheld devices. In contrast to personally owned, gasoline-powered, human-driven vehicles that dominated the last century, carmakers realise that they have to transition to mobility services based on self-driving electric vehicles that will be paid for by the trip, by the mile, through a monthly subscription, or through a combination of all three.

One defining character of pioneering companies that stay ahead of their competitors is that they leap: they jump across knowledge disciplines to leverage and create new knowledge about how a product is made or a service is delivered. The best companies leap repeatedly. Absent such efforts, latecomers will catch up.

In a similar vein, in consumer banking, it's a shift from operating a traditional retail branch with knowledgeable staff who provide investment advice to running data analytics and interacting with consumers the same way an e-commerce retailer does. Leap is everywhere, although the pace of change may differ between industries.



And so at the IMD business school, we track how likely a firm will successfully leap to a new knowledge discipline in its effort to prepare for the future. This IMD ranking measures companies in each industry sector using hard market data – data that is publicly available and has objective rules – rather than relying on soft data, such as polls or subjective judgments of raters. We measure fundamental drivers that fuel innovation, such as the health of a company's current business, the diversity of its workforce, its governance structure, the investments it has made against its competitors, the speed of its product launches, and so on. Using an objective composite index that accounts for these drivers, **table 1** measures the readiness of each of the listed financial institutes to leap to a new frontier of know-how and is specifically relevant to the financial sector: robo-advisors and artificial intelligence, cryptocurrency and blockchain, mobile banking and mobile payment, corporate venture and application programming interfaces (APIs).

Unsurprisingly, the leap readiness index in **table 1** listed a few household names of fintech developers. PayPal, a digital payment firm that turns 20 this year, and Square, which processes credit card payments for street stalls, coffee stands, and fancy farmers' markets, both sit on top of the ranking. More surprising are the incumbents, who are able to grow just as fast. None are retail banks, who supposedly enjoy the advantage of "being close

Company names	Score	Rank
MASTERCARD	100.000	1
VISA INC.	93.982	2
GOLDMAN SACHS GROUP, INC.	75.491	3
PAYPAL HOLDINGS, INC.	69.026	4
SQUARE	63.410	5
WELLS FARGO & COMPANY	61.866	6
BANK of AMERICA CORPORATION	61.478	7
CITIGROUP INC.	61.251	8
CREDIT SUISSE AG	56.056	9
JPMORGAN CHASE & CO.	52.282	10
HSBC HOLDINGS PLC	51.662	11
UBS AG	50.424	12
BNP PARIBAS	49.543	13
SWISS LIFE AG	49.329	14
PRUDENTIAL PLC	46.725	15
BARCLAYS BANK PLC	46.608	16
PING AN INSURANCE (GROUP) COMPANY of CHINA LTD.	44.179	17
ALLIANZ SE	41.921	18
BBVA (BANCO BILBAO VIZCAYA ARGENTARIA)	40.578	19
AXA SA	39.223	20
PRUDENTIAL FINANCIAL INC.	37.932	21
CNP ASSURANCES	36.964	22
ZURICH INSURANCE GROUP AG	35.783	23
CHINA MERCHANTS BANK CO LTD.	35.237	24
DBS BANK	34.303	25
CHINA LIFE INSURANCE CO. LTD.	33.404	26
MUNICH RE	28.864	27
BANCO SANTANDER SA	28.504	28
CREDIT AGRICOLE SA	28.315	29
METLIFE INC.	28.163	30
BANK OF CHINA LTD.	27.741	31
DEUTSCHE BANK AG	25.047	32
OCBC BANK	24.883	33
AMERICAN EXPRESS CO.	24.339	34
STANDARD CHARTERED PLC	24.277	35
ING GROEP NV	23.089	36
CHINA PACIFIC INSURANCE (GROUP) CO., LTD.	22.019	37
ASSICURAZIONI GENERALI SPA	19.585	38
CHINA CONSTRUCTION BANK	19.364	39
INDUSTRIAL & COMMERCIAL BANK OF CHINA (THE) – ICBC	16.560	40
SOCIETE GENERALE SA	14.795	41
UNICREDIT SPA	13.233	42
AMERICAN INTERNATIONAL GROUP INC.	9.089	43
AGRICULTURAL BANK OF CHINA LIMITED	0.000	44

to consumers" and are able to "amass mountains of user data." The leading incumbents, it turns out, are the legacy infrastructure builders: Visa and Mastercard.

Since the dawn of the smartphone era, too many new entrants that provide payment methods – Apple Pay, Google Wallet, Square, PayPal, Vimeo, and Revolut, just to name a few – have all proven themselves powerful innovators who could design offerings that consumers crave and have thus carved out segments of the market away from the credit cards that retail banks issue. And in the face of these new entrants, the only proven strategy that Visa and Mastercard can rely on to maintain the relevance of their legacy infrastructure is to bypass their own plastic, de-emphasising and destroying the very physical embodiment of their offering that had been so cherished for decades, and to allow these disruptors to connect to their own toll road. *If you can't beat them off, let them join.*

It should therefore come as no surprise that at the Apple event in March this year, during which the Apple card was announced, one would have noticed in that "subtle off-white coloring" and "the tasteful thickness of it" was the Apple logo emblazoned

METHODOLOGY AND DATA

To compile the 2019 Leap Readiness Index for the financial sector, we have included 44 top retail banks, insurance services, and leading payment companies based on their revenue by the end of 2018. The ranking is based on six main factors: (1) financial fundamentals, (2) investor's expectation on future growth, (3) employee diversity, (4) business productivity, (5) early results of innovation, and (6) openness to new ideas. These six main factors, which carry the same weight in the overall result, comprise 21 indicators.

Financial fundamentals	Investor's expectation on future growth	Employee diversity	Business productivity	Early results of innovation	Openness to new ideas
• 3Y CAGR turnover • 3Y average profit rate • 3Y average EPS • AUM (asset under management) last year* • 3Y CAGR AUM • Equity-to-asset ratio**	• P/E ratio last year • Price-to-book value last year** • 3Y CAGR market capitalization	• % of women management board members • CEO demography • Headquarters competitiveness	• AUM per employee last year* • Operating revenue per employee last year • Loan-to-deposit ratio**	• Press count on "blockchain" • Press count on "mobile services" • Press count on "AI"	• Press count on "APIs" • Press count on "ventures" • Number of investments in the last 3 years

Notes
* For payment companies, we use "the amounwt of transactions" as a proxy.
**We treat payment companies differently than other financial service companies.

All of our 21 indicators are hard data; that is, they are publicly available in company websites, annual reports, press release, news, and special reports on topics such as corporate social responsibility. For press counts data, we consulted Factiva, a global news database that covers various premium sources, and counted the number of press releases on each trending topic that was identified previously in this sector for the past 3 years (2016–2018). The data was also supplemented by third-party data sources from Crunchbase, which specialises on the topic of corporate venturing.

To calculate the index, first, we collected historical data for each company. Then we performed calculations for each indicator (e.g., 3Y CAGR) before we standardised the criteria data. Next, we aggregated indicators to the six main factors and then determined the overall ranking. For the purpose of comparison, we ranked each company from 1 (best) to 44 (worst) on a scale of 0 to 100.

The major breakthrough here, then, is the realisation that a product's best feature will never be invented in-house. Visa and Mastercard realise that killer apps must be invented by third parties, who are closer to their own customers.

in all its minimalist design, promising breakthrough features such as no fees of any kind and A.I. software that actively encourages users to avoid debt and provides recommendations to pay it off quickly. Sharing space on that minimalist design on the back side of the card are the logos of Goldman Sachs – the underwriter – and Mastercard. Not even Apple can shake off the legacy network.

And it's not just Apple, PayPal, Square, Samsung Pay, Google Pay, Facebook Credits, Stripe, and even Coinbase, a cryptocurrency upstart—all work with Visa and Mastercard. In other words, no fintech can disrupt anything unless they pay a toll fee to the old boys' network. The reason is simple: an interface standard has emerged that has made Visa and Mastercard so simple and powerful to work with that their vast networks are irresistible for any fintech: application programming interfaces.

In the simplest of terms, an application programming interface, or API, is an official set of rules and guidelines that facilitates the exchange of information between two pieces of software. These software routines, protocols, and tools can therefore allow third parties to tap into Visa and Mastercard's infrastructure. "While many legacy bank players have been hesitant to see Visa as primarily a technology company," observed Gilles Ubaghs, senior analyst of financial services technology at Ovum, "the recent launch of Visa's Developer platform, . . . with a host of APIs offering a full mix of payment functionality, all built on Visa's underlying core network, Visa is opening up its full capabilities directly to the broader digital ecosystem."

The major breakthrough here, then, is the realisation that a product's best feature will never be invented in-house. Visa and Mastercard realise that killer apps must be invented by third parties, who are closer to their own customers. The same can be said of Steve Jobs: No matter how perceptive he was about consumer desires, he couldn't have possibly predicted that some of the most prominent functions of his iPhone would be used to hail a cab (Uber) or to take pictures that would be automatically erased (Snapchat). No

single company could have come up with both of these killer apps. Product design decisions are always enhanced with input from varied, independent sources. For someone who runs a legacy infrastructure, the best strategy is to allow others to discover new usages for the existing system while reinventing it by setting a new standard for the industry.

It might happen one day that credit cards will disappear, but Visa and Mastercard will still be ubiquitous, still making all the hard parts of sending and receiving money around the world look easy. Now, what's the leap your company must make?

About the Authors

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Disruption of Financial Services in Germany

BY PETER WALBURG AND BORIS LIEDTKE

The crowdfunding industry in Germany is doing what many European banks are afraid to do — creating value by combining technology and banking. The authors explore the rise of Germany's crowdfunding industry and how it has affected the way people obtain financial services.

Value creation and profitability at European Banks has languished behind their American counterparties ever since the industry was shaken up following the Global Financial Crises. Contrary to the advice from Winston Churchill, "Never let a good crisis go to waste", senior management of large continental money banks have done exactly that. They appear to have missed the opportunity to adapt and reinvigorate their business models according to technological changes after the crisis. In an upcoming study by Professor David Young and Dr Boris Liedtke, both from INSEAD, the two argue that the new direction, which European Banks took between 2006 and 2016 was not focused on value creation but instead was driven towards risk reduction and enhanced social accountability while largely maintaining their business model and systems. In fact many have struggled for decades to update the very core IT system that drives their behemothian operations. The share price, price-to-book valuations and the lack of improvement in earnings reflect this missed opportunity. The German market is a case in point.

In terms of market value, the largest bank of the largest European economy now ranks far behind American and Chinese financial institutions.

Deutsche Bank, once the largest private financial institution in the world by assets and among the top ten by valuation, is down to a market capitalisation of less than USD19bn with an alarming price to book ratio of below 25 cents in the dollar. In terms of market value, the largest bank of the largest European economy now ranks far behind American financial institutions – JP Morgan Chase (USD365bn) – and Chinese – ICBC (USD308bn) but is also worth a fraction of once much smaller local players such as Royal Bank of Canada (USD110bn), Commonwealth Bank of Australia (USD92bn) or OCBC in Singapore (USD36bn). The balance sheet of the prime German lender remains full of near-impossible to value tier 3 illiquid assets and billions of partly failed IT project "investments" which are slowly amortising over years. These are leading to its abysmal price-to-book value. The financial outlook of the number two German lender, Commerzbank, which itself is a creation of a merger with Dresdner Bank, does not show a much brighter future. So the two do what prey usually do in such situations: they huddle together fearful about what the future might bring.

The competition is smelling blood for an opportunity to crack into this economy and have been circling their helpless prey for years. DiBa, a German subsidiary of the Dutch Bank ING has ventured in for the kill. Its business volume and market share in Germany is up in every segment from 2012. It is now serving almost 10 million customers in a country of 80 million people and has grown from a virtual standstill in 2002, when ING acquired DiBa, to a top 10 German Bank by balance sheet assets. DiBa has embraced a new method of delivering financial services, which has totally escaped the traditional private banks' senior management. Instead of operating with hundreds of retail banks across the country, DiBa maintains only three substantial offices in Frankfurt, Hannover and Nuremberg. Mortgages, current and saving accounts and consumer loans are delivered online backed up with call and data centres to facilitate client contact. As a result, its parent, ING Group, has not only recovered its pre-2008 financial crisis value but even more impressively is now worth three times Deutsche Bank's entire global operations.

The competition is smelling blood for an opportunity to crack into this economy and have been circling their helpless pray for years.

However, worse is to come for the well-remunerated bank managers in Frankfurt as they discussed their failed potential merger of equal "sequel". A new business disruption is already well under way in revolutionising the industry at a time when they have barely come to grips with the last technology revolution. Some borrowers are becoming sceptical of traditional banks and are flocking towards online portals to raise their funding requirements. The recently published market report by crowdfunding.de illustrates the speed of this disruption. Since 2011, the compounded annual growth rate of the crowdfunding industry in Germany exceeded 110%. To put it differently, over the last 7 years, the industry has on average doubled every year and does not appear to slow down soon.

Initially, the industry was almost purely focused on providing funding to corporations typically in their start-up phase. In 2015, this segment still made up over two-thirds of the entire German crowdfunding market. A year later, investors and borrows alike gained confidence and trust in funding property investments via online portals. Mortgage type lending via crowdfunding exploded and nowadays this segment makes up over 70% of the entire industry.

In Germany, crowdfunding can roughly be divided into providing for real estate, corporations and energy projects. As is frequent in early developments in a disrupted market, each segment has small but very focused service providers who aim to dominate their segment before branching out into a broader business model. In the largest segment, real estate, a 2014 start-up from Hamburg, Exporo is establishing a comfortable lead. However, the business opportunity and margin pressure on traditional rental and real estate brokers such as Engel & Völkers Capital have broadened the market and will give the listed start-up Exporo literally "a run for their money".

In the market segment for corporate start-up funding, Kapilendo and Funding Circle lead a highly fragmented field for credit, mezzanine and equity funding. The newest segment, energy project lending is still in its infancies but given the political decision and pressure in Germany on the traditional energy firms such as RWE and E.ON, one can expect a virtual explosion of new energy projects funded via the crowd.

What is most notable in the league tables is the complete absence of any

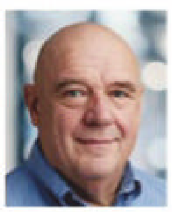
of the traditional banks or even of their more technology savvy recent competitors such as DiBa. The growth field is left almost entirely to new start-ups. This is surprising given the growth of the industry as well as the recurring positive data on minimal defaults of loans extended via online platforms. Since 2011, when data was started to be tracked more closely, crowdfunding in the German real estate sector has had no noticeable defaults and already successfully returned the full principle plus interest on 30% of all loans granted. A recent study by the Federal Government shows that even including financial defaults in the traditionally high-risk start-up corporate funding segment, the entire non-performing loans of crowdfunding since inception remains below 4%.

For the market participants, it is crucial to continuously offer an easy to use platform, which will allow investors to have access to a number of projects at attractive returns with little risk of default. In a low interest rate environment, such as the EURO-zone presently, this is becoming quickly an opportunity for retail investors to shift some of their more liquid savings from a zero-interest paying savings account to a crowdfunding platform with a positive track record. Greenvesting.com is such a firm in the segment of energy lending. It is carving out a niche for specifically green projects in energy and real estate opportunities via its online portal where new projects are constantly offered after in-house financial and ethical scrutiny. Depending on the specific projects, financial annual returns can exceed 6.5%, run from a few months to over a couple of years and have not seen a single default. Slowly, its investor base is expanding while maintaining repeat clients with after-loan services.

As the barriers of first-mover fear are slowly removed and the attractive returns via crowdfunding become the after dinner and pub conversations in Germany, retail clients will increasingly shift towards this industry and drag their friends with them. As a result, traditional banks will undoubtedly see their saving volumes come under pressure as well as feel margin competition in lending products such as mortgages. So far, it would appear that the established financial industry is ignoring this rising threat, while the start-up participants are quite happy to stress the argument that there is presently room for both – traditional banks and crowdfunding; an argument that once was put forward by the combustion engine challenging the horse-and-cart industry over a century ago.

It is impossible to estimate with certainty when this part of the industry becomes a dominant segment of financial services. What can be stated with certainty is that the growth of the crowdfunding industry will not be without risks. A major default, a corruption scandal or another black swan event might cast doubt over the entire industry. Nevertheless, it is certain that the online funding platforms will eventually disrupt the traditional financial services. When this occurs it is to be expected that managers from the established banks will wake up and weigh in heavily with their political cloud to stifle the competition via new regulations and public scare-mongering. How well the participants stand up to this future challenge will determine the course of the industry and with that, the service that the broad public will obtain from its banks and their disruptors.

About the Authors



Peter Walburg is the CEO and Founder of GreenVesting. He has more than 30 years of investment banking and asset management experience. The economist has worked as an analyst and portfolio manager for leading international financial institutions in Frankfurt and Toronto, and most recently, at DWS, the asset management subsidiary of Deutsche Bank.Peter Walburg lives in the Rhine-Main area and is a member of the German Association for Financial Analysis and Asset Management e.V. (DVFA). As a portfolio manager, he was a member of the Euro Debt Market Association (AMTE) and the International Commission of Standardisation of Corporate Bonds.

Dr Boris N. Liedtke is the Distinguished Executive Fellow at INSEAD Emerging Markets Institute and has over twenty years experience in the financial sector. He was the CEO of the largest bank by assets in Luxembourg and board member for Operations at the largest German fund manager. He is author of numerous articles on finance and trade as well as having received his PhD from the London School of Economics for the publication of *Embracing a Dictatorship* by MacMillan.

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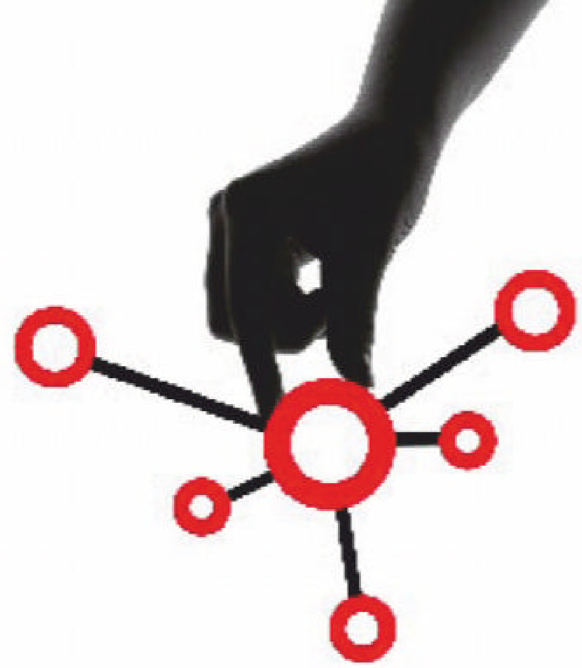


Atradius and Kemiex

Shake up the Raw Material Trading Landscape in Pharma, Veterinary, Food and Feed

An online trade platform designed and introduced by Kemiex and Atradius is revolutionising the B2B global trade landscape for APIs, vitamins, and other food and feed additives by integrating digitalisation and credit insurance in a sophisticated network ecosystem.

The annual trade volume for active pharmaceutical ingredients (APIs), vitamins, and other food and feed additives is estimated at USD 300 billion, of which approximately 90% are traded based on long-term contracts. With a secular shift of production to China and India and increasingly volatile markets, the share of spot transactions is growing. zzinto a rather secretive spot market brokerage industry. Current trading processes are often time consuming, opaque, and limited to personal networks. In this complex environment, trading network Kemiex and credit insurer Atradius are the first to offer

In this complex environment, **trading network Kemiex and credit insurer Atradius are the first to offer an online trading platform** that helps to easily identify reliable and compliant counterparties and conduct trade in a safe way at the click of a button.

an online trading platform that helps to easily identify reliable and compliant counterparties and conduct trade in a safe way at the click of a button.

Trusted and Secure

Nowadays, technology and digitalisation are disrupting multiple and traditional trade ecosystems progressively and at a faster pace. In line with this trend, the partnership between Atradius and Kemiex is setting new and unparalleled standards for security and trust in B2B marketplaces for raw materials in the life sciences industries by means of a revolutionary online platform.

With this digital solution, the future of exchanging raw materials between buyers and sellers on the global spot market are brought in today. The platform aims to decrease the number of touch points in the sourcing process, and yet, secure that all stakeholders comply with restrictions and regulations accordingly.

The platform aims to decrease the number of touch points in the sourcing process, **and yet, secure that all stakeholders comply with restrictions and regulations accordingly.**

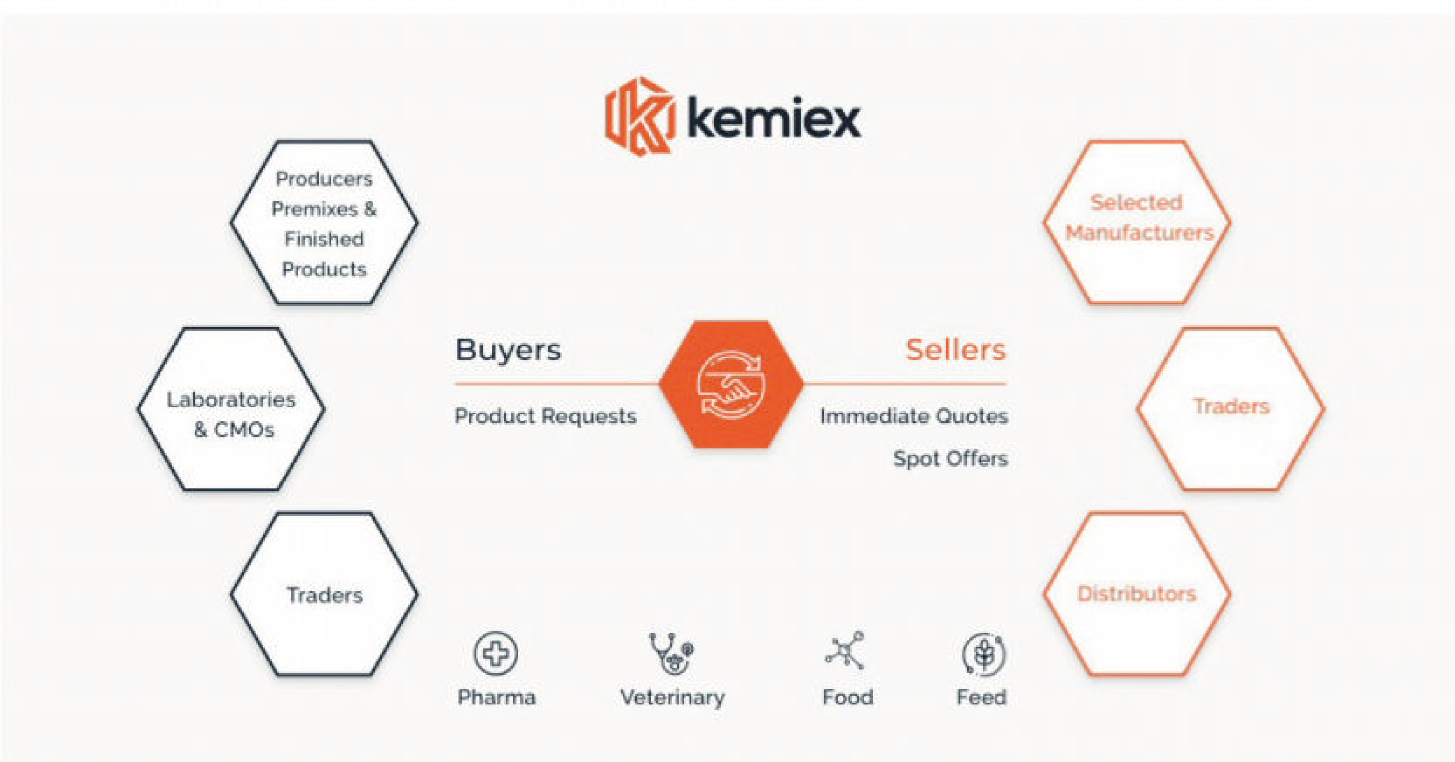
Combined Expertise

The Swiss-based Kemiex is an independent online trading platform for commerce of commoditised additives, vitamins, amino acids, APIs, and other substances for the human and animal health and nutrition industries. Kemiex's success and market acceptance are noteworthy and outstanding. The platform has already attracted hundreds of B2B companies in the respective sector by now, and its premium network is flourishing rapidly.

Atradius, operating across 54 countries, is one of the world's leading credit insurers and an avid supporter of innovative technologies to serve customers in the most efficient way. Apart from credit insurance, Atradius is also leading in other financial services such as bonding, collections, and reinsurance.

Through the first of its kind strategic partnership with Atradius, transactions occurring on the platform can be insured right away. Atradius will provide Kemiex's customers credit risk insights and invoice credit insurance for single transactions between traders, sellers, and buyers.

HOW KEMIEX WORKS



kemiex

The Swiss-based Kemiex is an independent online trading platform for commerce of commoditised additives, vitamins, amino acids, APIs, and other substances for the human and animal health and nutrition industries.

In a world where trade increasingly takes place online, Kemiex and Atradius offer the comfort of doing this in a trusted environment that is ready for the future.

In order to build a holistic network and assure a high level of trustworthiness and product quality among stakeholders, Kemiex has outlined strict onboarding rules and a quality management system overseen by a qualified person. In addition, the platform has a systematic monitoring structure that renews members' trade excellence scoring after every finalised transaction. This provides a meticulous account of the entire trade stream by continuously assessing the behaviour and reliability of the transaction counterparts throughout the transaction.

Added Value

Being a Kemiex stakeholder minimises transaction lead times and allows businesses to offer more competitive prices while staying in full control of trading activities from A to Z. Simultaneously, Atradius is using its years of risk mitigation expertise to provide, through Kemiex's platform, single invoice insurance and financial insights, supporting Kemiex's customers in making smarter decisions across their trade deals.

The platform has already benefitted multiple buyers in the acquisition of raw materials, and they have been able to increase product availability and reduce purchase prices in parallel. At the same time, sellers kept their margins stable. Both effects have positively influenced the short- and long-term growth of businesses. In a world where trade increasingly takes place online, Kemiex and Atradius offer the comfort of doing this in a trusted environment that is ready for the future.

Why wait any longer to join? Have a look at www.kemiex.com or www.atradius.com

Atradius
Managing risk, enabling trade

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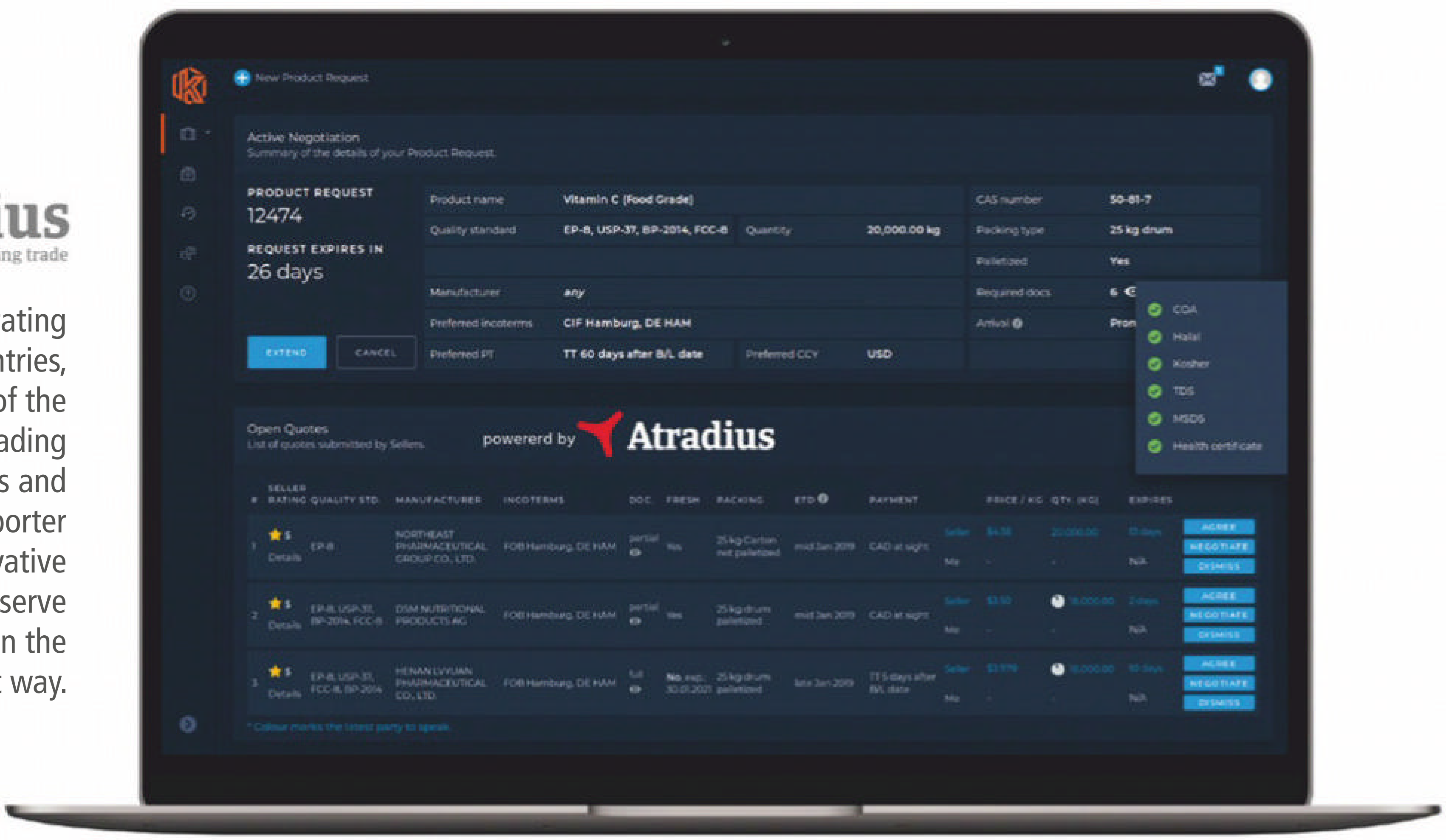
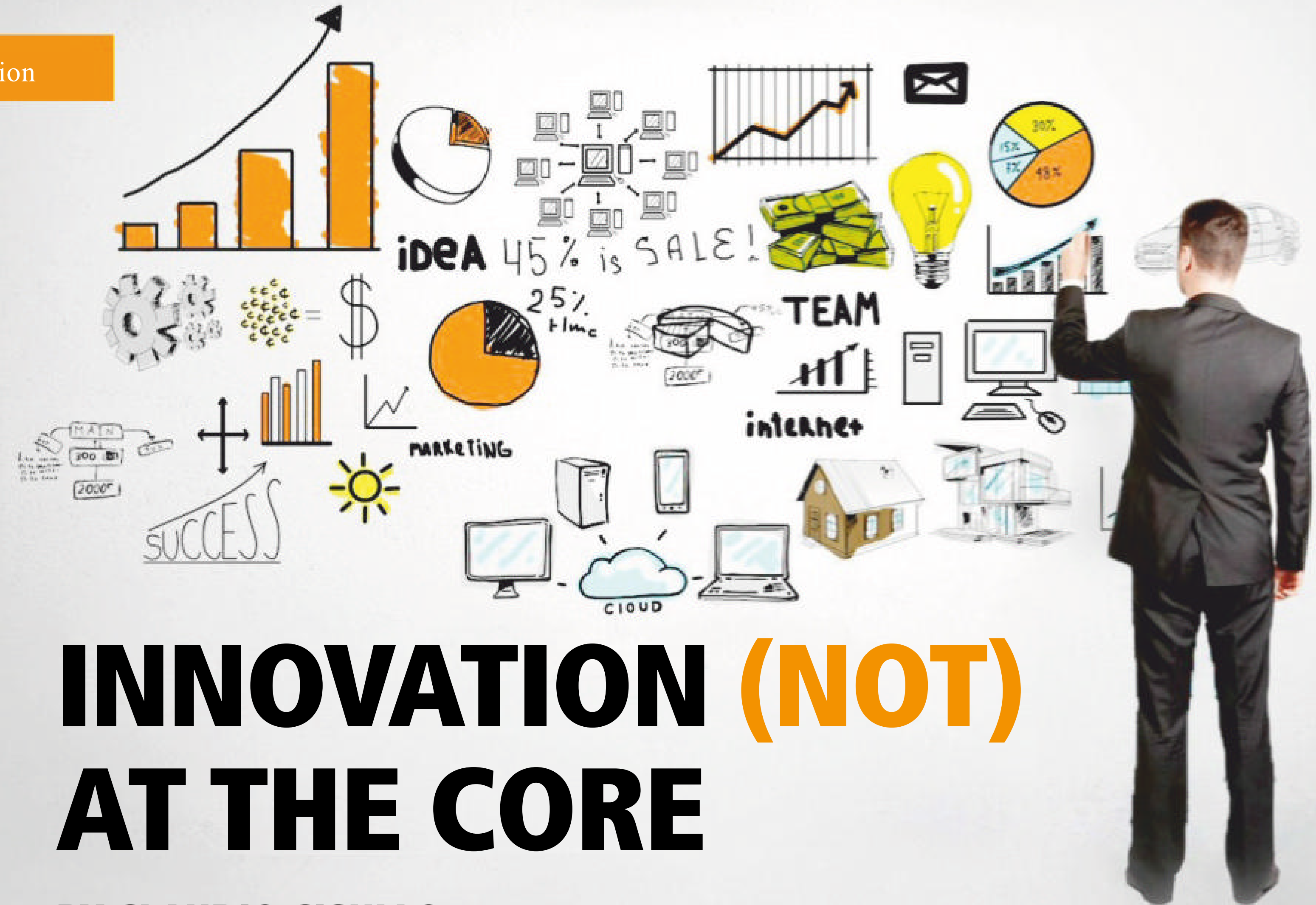


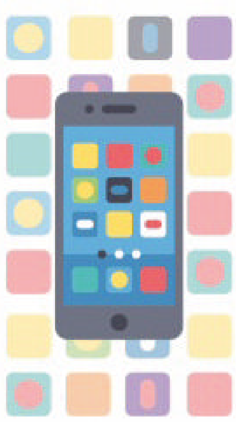


INNOVATION (NOT) AT THE CORE

BY CLAUDIO CISULLO

A common mistake in industries faced by severe performance pressure is to turn to well-known innovation tools and strategies. Especially in sectors where innovation is not at the core of the business, a new approach is required. A proven method has entered the race – so far, with impressive results.

It is undisputed that innovation is a key driver of corporate growth and performance. It is equally widely accepted that installing and maintaining an innovation capability is a non-trivial, organisation-wide endeavour. However, what tends to be overlooked is that not all organisations can – or should – innovate using the same tools. Instead, for innovation to generate the necessary business outcomes and organisational benefits for the long term, a different type of path should be explored.



First stop: In-house innovation

A wealth of innovation strategies and instruments is meanwhile available to organisations. Although it makes sense to absorb the know-how previously put to test by others, those facing pressure to innovate often fail to be innovative in their methods. These usually include hiring senior experts from tech-giants, expecting them to inspire staff and managers alike and push the culture towards a more exploratory one. They also include newly established innovation teams reporting directly to a C-level executive in order to showcase the strategic importance of innovation for the company. Particularly committed organisations introduce a Chief Innovation Officer to drive and oversee innovation activities. As these efforts take time, organisations feel under pressure to showcase their innovation credibility to the outside. As a result, we see a plethora of apps being launched, partnerships with start-ups announced and innovation prizes awarded.

Second stop: Externalised innovation

For organisations not used to innovation being part of their development, decision-making and performance structures, in-house innovation is extremely difficult to operationalise and often fails. The innovation teams rapidly find themselves isolated as

In fact, even when game-changing ideas are sought for, these are unlikely to originate in-house or in a corporate innovation lab. **Luckily, there is a better way, and it is not even new. It is called procurement.**

they don´t fit into the established system, while being considered an expensive burden on the business. A few years back, we have seen several major corporations open impressive innovation labs in Silicon Valley to complement or replace their in-house innovation efforts. These labs (again) gathered staff from tech-giants and in some cases also respective industry experts to ensure compliance and interoperability with existing corporate structures. Being a lot more difficult to supervise and keep in touch with than in-house innovation teams, only few of the innovation labs were connected to the core business and were able to drive major change.

Why innovate yourself?

It has been said many times before: long-established companies are known to be proficient when it comes to optimising their core offering but perform poorly as regards game-changing approaches. Especially in industries where transformative change isn´t continuously required, businesses should refrain from transforming themselves too fast. In fact, even when game-changing ideas are sought for, these are unlikely to originate in-house or in a corporate innovation lab. Luckily, there is a better way, and it is not even new. It is called procurement.

Organisations already effectively delegate (or outsource) parts of their business to specialists to either better face volatility in demand, reduce costs or streamline their operational footprint. In sum, they procure activities that are not considered core to their business – a global industry worth estimated USD 2.8bn in 2018 and growing with double-digits. Importantly, innovative solutions can be and are already being sourced, negotiated and purchased successfully just as any other part of the business. After all, procuring for innovation means no more than hiring the best available provider for a challenging assignment in a structured and strictly performance-oriented manner.

Very few business leaders are aware of the fact that innovation procurement has been practiced by the public sector for over a decade already. Launched by progressively thinking EU agencies, it has enabled hospitals, cities and other stakeholders to procure innovative solutions with impressive results. Assignments are being given to both young and mature businesses capable of delivering a solution to

If innovation is not at the core of your business model, there is no reason to treat it as if it were.

the procured challenge, while being managed according to strict schedules and performance milestones typical for the procurement sector. This helps not only the leading organisation but disciplines the innovation suppliers more than investors ever could.

For particularly complex challenges where ideas may not yet be market-ready, so-called "pre-commercial innovation procurement" has been performing well in Europe for years. From self-driving hospital beds to high-end supercomputers, ideas are being refined and put to work in a structured partnership between assigning bodies and innovators. We now have a wealth of proof demonstrating that innovation procurement works and that what started as a demand-driven public effort to make Europe more competitive is ready to be put to test by corporations.

Innovation as a service

Expecting in-house innovation teams to deliver breakthrough ideas for all business and operations challenges is both naïve and irresponsible. Unfortunately, a widespread misconception across industries facing performance pressure remains that innovation must become a part of their core skill set. If retained, this misleading perspective will prevent them from experiencing just how effectively innovative ideas can be purchased and tailored – a lesson that the aforementioned public organisations in Europe have learnt over a decade ago.

Overall, letting go of the innovation frenzy is as important as accepting that innovative solutions can be managed just like any other business task – with a strict timeline, no disruption to core operations and clear responsibilities on both sides. The ultimate insight is: if innovation is not at the core of your business model, there is no reason to treat it as if it were.

About the Author

Claudio Cisullo is a Swiss-based serial entrepreneur and investor. He is the founder and Chairman of CC Trust, a family office invested across the biotech, leisure, pharmaceuticals, professional services, real estate and technology sectors. Among his most recent investment is Chain IQ Group, a globally active provider of procurement services.

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THE FUTURE OF Digital Identity Verification

Interview with **Andreas Bodczek**

CEO OF IDNOW

The digital revolution is making a significant impact on every industry, and IDnow, being the leading provider of Identity Verification-as-a-Service solutions with more than 250 customers including N26, Commerzbank and UBS, has impressively boosted digital transformation in the financial industry and beyond. We sat down with their new CEO Andreas Bodczek to discuss how IDnow is pushing the boundaries of the digital identity market.

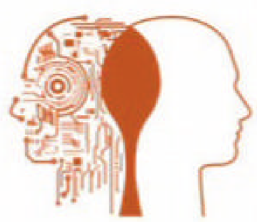
Q Thank you so much for your time, Mr Andreas Bodczek. We would like to congratulate you on your new appointment as IDnow's new CEO. Certainly, being busy is about having amazing opportunities and potentials, as such we are interested in knowing how you jumpstart your day?

A An ideal morning combines an early morning workout and breakfast with my kids, before heading off to the office. Time with my family is a source of great energy for the whole day for me.

Q Being IDnow's CEO curtails a great responsibility, especially now that you are expected to help IDnow's 100 million euro sales target and to expand the business in Germany, France and U.K. What is your action plan in hitting this goal?

A I have followed the company since its inception, worked with the team on various projects and am excited to join this fast growing company in this thrilling phase. IDnow is built upon the passion of our team and it will be my job to continue to foster this whilst preparing the company for the next stage of growth.

These are exciting times for the digital identity market in general and for IDnow in particular. As you have read in recent press coverage, we have ambitious goals that we want to achieve. We have built a unique platform for digital identity verification, that is based on state-of-the-art artificial technology. Pair this with a team that is both passionate and experienced and you can rest assured that you will hear a lot about IDnow in the upcoming years.



> We combine the advantages of AI-based technology with the human factor – our specially trained agents. They improve the system by an important component: intuition and knowledge of human nature.

Q Being the leading provider of Verification-as-a-Service solutions to different industries, IDnow has played a significant role in disrupting technology with the use of Artificial Intelligence. Can you tell us more about how you use the AI technology in your services, particularly how it works with IDnow VideoIdent and IDnow AutoIdent?

A AI is used in all of our products to enable online identity verification with the highest security standards. We use AI throughout the process including the verification of ID document, extraction of ID data as well as biometric and liveness check of the individual.

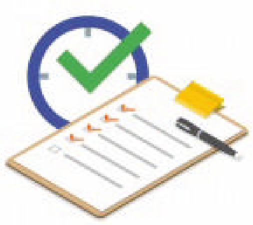
Q The PSD2 requires the banking industry to invest in technology that would meet its stringent requirements on security and seamless consumer experience, and IDnow has become a trusted provider by large, international banks of these services. Can you share with us the key and unique features of IDnow's platforms that set you apart from other Verification-as-a-Service providers?

A IDnow provides a highly developed AI-based technology. It is very important for us to put as much effort as possible into training and refining the technology and creating an outstanding AI product, which gets better every day.

We have been working on this technology for several years now. Our AI has been trained to such levels of perfection, that it is even able to check the security features, like holograms, in real time.

And we go one step further: We combine the advantages of AI-based technology with the human factor – our specially trained agents. They improve the system by an important component: intuition and knowledge of human nature. This is what we call the hybrid model. In our experience, this leads to results that cannot be matched in quality by having a system that relies purely on technology or purely on human agents.

Our clients receive all of these benefits bundled into a single platform, built for the enterprise. They integrate the IDnow API once and are all set for secure identity verification throughout several jurisdictions, use cases and regulations. The IDnow platform is able to handle both the current and future requirements of our clients out-of-the-box.



If you look back a few years, it took you several days until you legitimised yourself with an offline procedure. Now it can be done in real-time. We are pushing hard here to drive this progression forward and to become even faster.

Q What new products or features does IDnow intend to introduce in the market under your leadership?

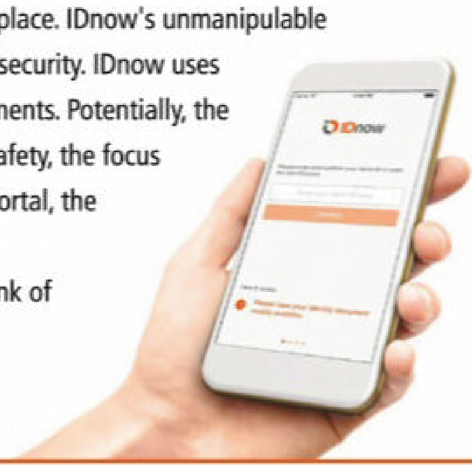
A The speed of the identification process will continue to be an important topic for us in the near future. If you look back a few years, it took you several days until you legitimised yourself with an offline procedure. Now it can be done in real-time. We are pushing hard here to drive this progression forward and to become even faster.

Another important topic is security: The need for a safe platform and a safe product grow steadily. Internet fraud is on its way to become one of the biggest crime issues in the world and it costs companies tremendous

ABOUT IDnow

With its Identity Verification-as-a-Service (IVaaS) platform, IDnow has set out to make the connected world a safer place. IDnow's unmanipulable identity verification is used across industries conducting online customer interactions that require a high degree of security. IDnow uses artificial intelligence to check all security features on ID documents and can therefore reliably identify forged documents. Potentially, the identities of more than 7 billion customers from 193 different countries can be verified in real time. In addition to safety, the focus is also on uncomplicated application for the customer. With five out of five stars on the Trustpilot customer rating portal, the technology is particularly user-friendly.

Its portfolio of over 250 customers includes leading international companies from various industries such as Bank of Scotland, BNP Paribas, Commerzbank, eventim, Raisin (Weltsparen), Sixt, solarisBank, Telefonica Deutschland, UBS, Western Union and wirecard as well as fintechs such as Fidor, N26, smava, and wefox.



amounts of money. We have a strong focus on security and even have our own fraud prevention team. Our clients value this and we will continue to invest heavily in this area.

If you are interested in the most recent trends in identity fraud, you are welcome to download our "SECURITY REPORT 2019 – How to fight identity fraud" on our website: *https://www.idnow.io/news/security-report/*

Q How do you see the identification management services evolving in the future? What are the significant changes and innovations you foresee and how does IDnow prepare for these developments?

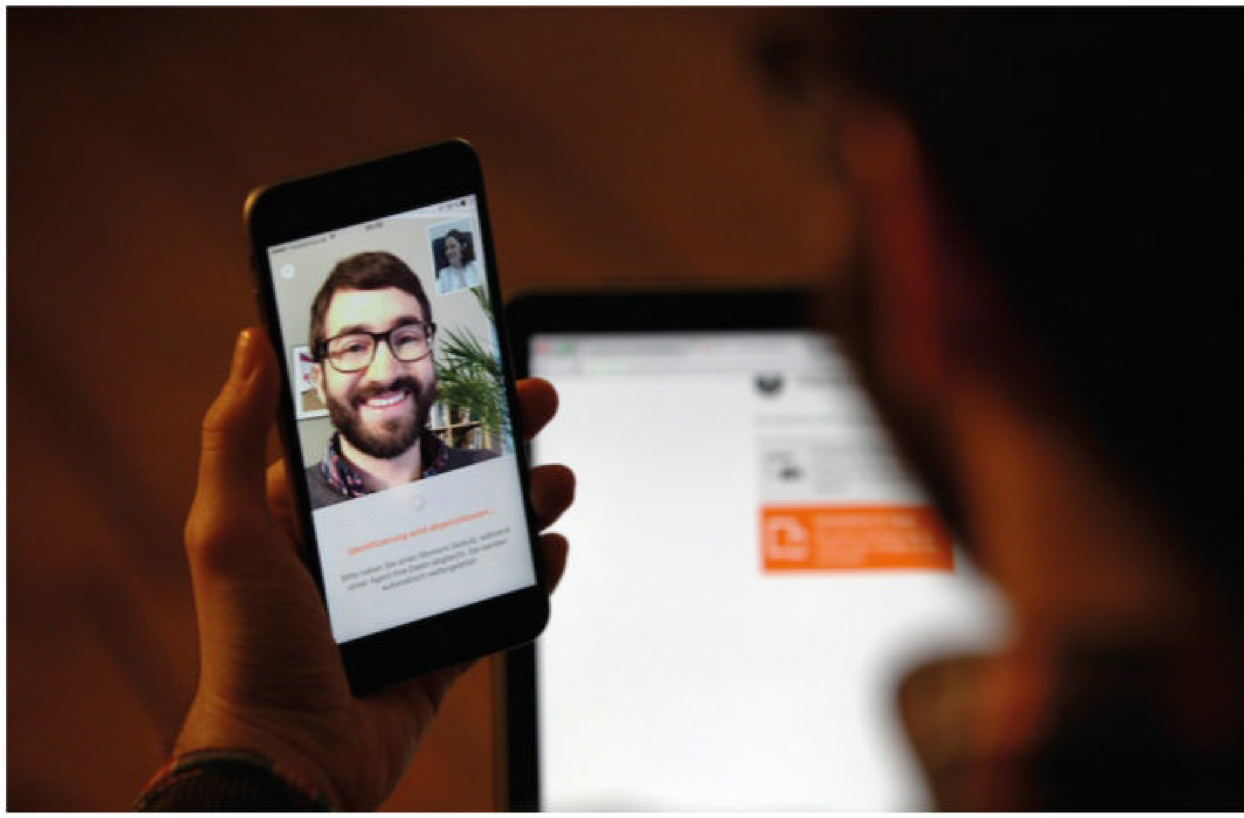
A The whole industry is growing very quickly. Every month we are expanding our platform to cover new use cases and markets. The ecosystem has understood that it is of utmost importance to have secured digital identities. But at the same time, consumers have a strong focus on convenience and simplicity.

If you combine both requirements – security and a focus on seamless, conversion-optimised processes – you arrive at what we call "Secure Growth".

We believe that this trend to achieve secure growth will continue to be the main driver in digital identity management. We want to be the provider of choice when it comes to these requirements. Together with our clients, we are on a mission to make the connected world a safer place.

Q As the CEO, aside from reaching IDnow's growth target, your leadership will also be measured on how you effectively take care of your employees' well being. How would you value your employees at work?

A Our employees are the most important part to reach an ambitious goal like ours. IDnow is built upon the passion of our team and it will be my job to continue to foster this.



Furthermore, it's a personal concern to me that our employees have everything they need to do their job the best possible way. That starts with healthy drinks and snacks during the day, sports programmes, home office opportunities, great equipment and a modern office in the centre of Munich.

Q On a lighter note, what is your mission in life? Can you also share with us your favourite life mantra?

A My favourite personal mantra is: "Tomorrow is the first day of the rest of your life." I believe that no one is limited by her/his past and that everyone can reach her/his goals no matter how big they are or how often they have failed while trying in the past - just try again.

One of our values at IDnow is "Making the impossible happen" That's very much in line with my personal attitude and my mantra.

Q Thank you Mr. Bodczek, it was a pleasure speaking with you. EBR

About the Interviewee

Andreas Bodczek is the CEO of IDnow. He is a passionate tech entrepreneur and a seasoned boardroom executive. He backs fellow entrepreneurs as an active early-stage tech investor. He is also a Point Nine Capital board partner.

The ecosystem has understood that it is of utmost importance to have secured digital identities. But at the same time, consumers have a strong focus on convenience and simplicity.

Deep Engagement:
Where Thought Leadership and Subject Expertise Meet

Interview with Dr. Kishore Sengupta

CAMBRIDGE JUDGE BUSINESS SCHOOL
DIRECTOR OF EXECUTIVE EDUCATION

Since its establishment in 1990, Cambridge Judge Business School has always been a leader in innovation and new knowledge creation. Executive Education at Cambridge Judge Business School continues to hone executives and organisations to be instruments of change and contribute to society through its rigorous curriculum and world class learning environment.

We had the pleasure of sitting down with Dr. Kishore Sengupta, Cambridge Judge Business School's Director of Executive Education, and he shared with us his views on the state of Executive Education and how Cambridge Judge combines research excellence and practice expertise to meet the demands of business in the face of the rapidly changing world.

> "Cambridge's excellence in research is internationally recognised, and our programmes are all based on **original thought leadership** and **subject expertise** to harness that research base."

Q Good day, Dr. Sengupta! Thank you for sharing your valuable time by doing this interview with us. To start, for a top academic leader like you, what are the best morning routines to jumpstart a busy day and your quick tips to improve productivity for a day's work?

A One of the key elements to starting the day properly is to eat a healthy breakfast, which helps to create and channel positive energy. A quick scan of emails first thing can help prevent distractions and avoid firefighting later in the day. It's also a good idea to tackle writing chores early in the day – before phones ring, emails arrive and people request meetings. A diary scan in the morning helps to prepare the day – but it's also important to scan a day ahead in order to prepare for upcoming issues.

Q Nowadays, business practices are being transformed dramatically by globalisation and digitisation. Are there also significant changes or new trends in the executive education field? What are the major challenges?

A One major challenge for executive education in today's era is to align online delivery with rapidly changing business models around the world. There is a lot of noise associated with these changes, but there's also evidence of the landscape settling into more predictable models with more stable partnerships and alliances. It's also important to remember that while digital delivery is transformational, it will never replace the quality of a face-to-face learning relationship in such an intellectually vibrant hub like we have here in Cambridge.


King's College University of Cambridge

Q Cambridge Judge Business School is a highly reputable institution for management education and a forerunner in delivering top quality Executive Education programmes. Can you tell us what are the outstanding features that set you apart from other business schools and what make your programmes unique and with best quality?

A Cambridge Judge's excellence is based on two features which are common across the wider University. First is our research capability. We have 16 research centres and are looking to add more all the time. Second is our small class sizes. We have significantly higher ratios of Faculty to participants on our programmes than most other schools. This gives an intensive and focused environment where original thought leadership and subject expertise come together with real world experience. It is why the UK government rated us as number 1 for the impact of our research. We use the term "deep engagement" to describe how research and practice play off each other, enhancing both aspects to the benefit of our Executive Education participants.

Q Despite the growing competition and changing nature of the market, how does Cambridge Judge Business School Executive Education respond to market shifts and new opportunities, as well as address the different learning and development needs of top executives?

A We scan the horizon: using our research outreach, we're able to spot trends and anticipate changes in the market and in the demands facing senior leaders around the world. We recognise that it's difficult for many business leaders to take time away from the day to day to reflect and learn. Therefore, it is important to make the most of senior leaders' time. Because of our research strength and emphasis on high Faculty to participant ratios, our programmes are often more intensive and focused than elsewhere. We feel that is important in how we add value.

Q To operate in a turbulent world, business leaders need radical innovation and network competencies. What do you think are the particular facets of the executive education curriculum that are immensely valuable tools for your participants?

> "The global nature of our clientele lends itself to the creation of powerful networks. Journeying to Cambridge from around the globe, our participants and clients form enduring and deep connections that last long beyond their brief time in Cambridge."

A The global nature of our clientele lends itself to the creation of powerful networks. Journeying to Cambridge from around the globe, our participants and clients form enduring and deep connections that last long beyond their brief time in Cambridge. We have groups of senior leaders still sharing experience, memories and advice years after completing their programmes. Clients bring disparate and

> "Resilience and tenacity, coupled with emotional intelligence and humility, are the personal attributes that I have seen in successful leaders."

"**Our flagship Open programmes include the opportunity for personal transformation through peer coaching.** Led by experienced and highly qualified practitioners, this coaching complements classroom theory with real-world examples through in-person sessions and online post-programme forums."

multinational groups to programmes in Cambridge from around the world, creating internal networks and leveraging the power of organisational learning.

Q Can you tell us more about one of the interesting and strong features of your programmes – the peer learning exchange process. How does this help in enhancing the success of your programmes?

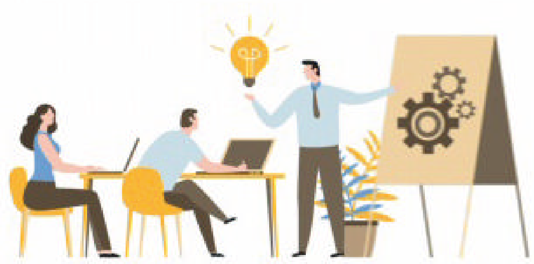
A Our flagship Open programmes include the opportunity for personal transformation through peer coaching. Led by experienced and highly qualified practitioners, this coaching complements classroom theory with real-world examples through in-person sessions and online post-programme forums.

Q What are the important metrics that you use to gauge the inclusive and long-term effectiveness and impact of your programmes? How do you make sure that the participants and their organisations will gain the highest return on their investment in Executive Education programmes?

A We carefully monitor all teaching sessions and measure their success in achieving the objectives for organisations and participants. Measurements taken post programme, which gauge differences in approach and attitude, can indicate the effectiveness of the learning experience at three and six months. Doing things differently – or identifying the barriers to change – are important measures of success. Feedback is shared with our teaching faculty to ensure they can act on areas that need improvement and enhancement.

Q With your vast professional experience prior being an academic leader of a prestigious university, what do you think are the kind of business leaders we need for a rapidly changing world and what kind of leadership the modern industries require?

A From my experience, having worked across continents, I think that leaders need a global perspective in order to navigate today's increasingly global topography. Resilience and tenacity, coupled with emotional intelligence and humility, are the personal attributes that I have seen in successful leaders.



About the Interviewee

Dr. Kishore Sengupta

- Director of Executive Education and Reader in Operations Management at Cambridge Judge Business School.
- Advisor on several projects with the US Government Department of Defense and NASA.
- His research works has been published in journals such as *Management Science, MIS Quarterly* and *IEEE Transactions on Software Engineering* among others.

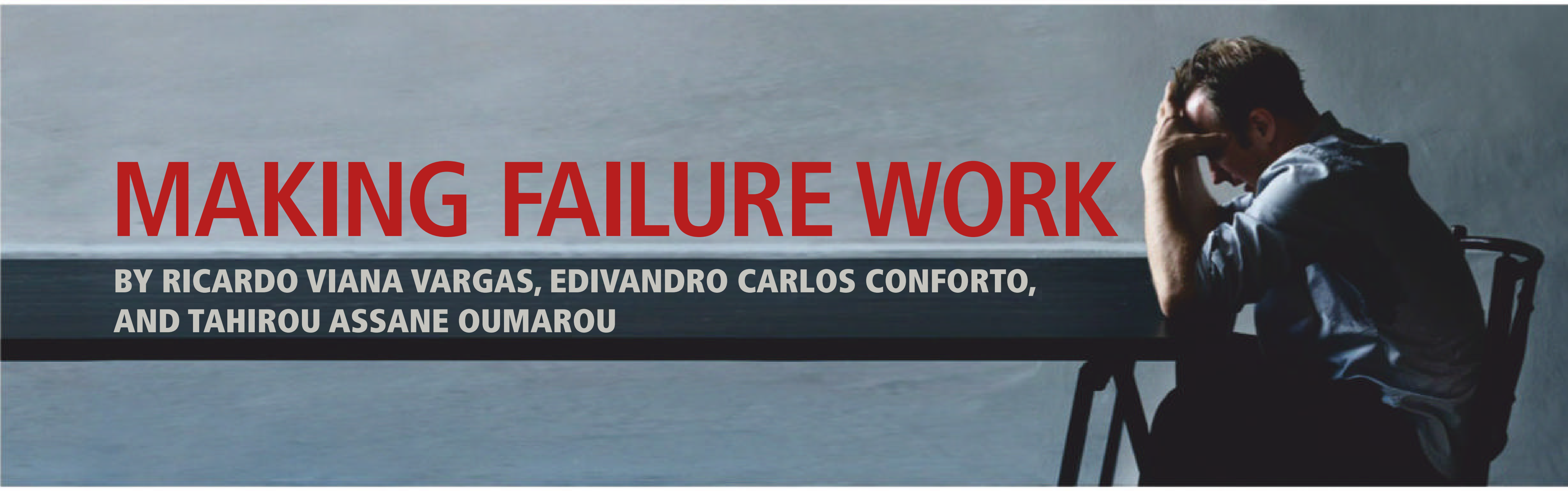
Q On a lighter note, we are interested in knowing what are the top things or activities does a high-calibre academician like you do to recharge during your day-off from work?

A Fast cars, sailing, new technological toys, and music.

Q Lastly, what does success mean to you? Any message you wish to share with our readers?

A In my current role, I look at professional success through the prism of our Executive Education clients' individual and organisational success. It's a bit like a parent beaming contentedly on the sidelines if their child scores a goal on the football pitch – satisfaction through others' achievements.

Q Thank you very much Dr. Sengupta! A pleasure speaking with you.



MAKING FAILURE WORK

BY RICARDO VIANA VARGAS, EDIVANDRO CARLOS CONFORTO, AND TAHIROU ASSANE OUMAROU

For all organisations and managers failure is a recurring reality. But despite failure being all pervasive, few individuals or organisations respond positively. Making failure work productively requires managers to recognise that plans need to be adaptable; failure must be built into the culture and everyone attuned to fail fast, adapt and learn.

"We've long believed that over time organisations tend to get comfortable doing the same thing, just making incremental changes. But in the technology industry, where revolutionary ideas drive the next big growth areas, you need to be a bit uncomfortable to stay relevant," noted Larry Page on setting up Alphabet as a collection of companies including Google and a host of others – from Calico to Waymo.[1]

Alphabet companies are a constantly moving portfolio of impressive, wild and brilliant ideas at varying stages of development. The social networking software company Dodgeball was part of the Google ecosystem. Acquired in 2005, it closed down in 2009. Others have had a stuttering existence. Google Glass was publicly launched in 2014 and then returned to development before re-surfacing as the Google Glass Enterprise Edition in 2017. And others appear set to make an impact: such as DeepMind which was acquired by Google in 2014 and is a leader in AI research.

For all the enormous success and power of Alphabet – 2018 annual revenues of $136.8 billion; profits of $26.3 billion; and 98,000 employees – what is intriguing is its appetite for making what the Google founders have labelled "smaller bets in areas that might seem very speculative or even strange when compared to our current businesses".

Central to Alphabet's success is its implicit acceptance that failure is a fact of life. Failure, after all, is a daily occurrence. Bright ideas crash and burn; strategies hit the ground and stay there; and change programmes run into the organisational buffers. Not surprisingly, a full 90 percent of respondents to a 2017 global survey of 500 senior executives from companies with annual revenues of over $1 billion, conducted by the Economist Intelligence Unit, admitted that they failed to reach all of their strategic goals because of flawed implementation.[2] From transformation programmes which don't achieve change to mergers and acquisitions which do not add value, failure is inescapable.

FACTS OF LIFE

For entrepreneurs in particular, the perils of failure are writ large and constant. Research by Shikhar Ghosh of Harvard Business School found that 75 percent of venture-based start-ups fail.[3] And failure is also a frequent experience in larger organisations. Size and scale do not insulate individuals or organisations from failure. Business history is

littered with stories of misjudgement, companies doggedly pursuing the wrong strategies, throwing good money after bad, and simply getting it wrong. Think New Coke. Remember how, at the beginning of the century, Webvan promised to change the way Americans bought groceries. It established a network of warehouses across the country. But then the customers didn't materialise. It failed slowly and on a grand scale (with losses of over $800 million).

But, despite the fact that failure is a constant presence in life inside and outside organisations, individuals and organisations are ill equipped to deal with it. Faced with failure, people are likely to bury their heads in the organisational sand rather than admitting things are going wrong. Plowing on is an instinctive reaction for many when they are faced with failure. Others abandon ship, heading in the opposite direction at the earliest opportunity.

WHAT TO DO ABOUT FAILURE

So, what needs to happen for individuals and organisations to have a more productive relationship with failure? We believe three things are key:

1 Recognise that plans cannot be set in stone

Plans are extremely important. Without them you don't know where you are going, what you are doing and why. However, in some organisations, plans are as static as a photograph. They are fatally tethered to an out-of-date context. We tend to make assumptions about the future and sometimes ingenuously believe all will happen naturally. Sometimes, we just don't have goals, we merely have a set of hypotheses that need to be tested.

The saying that no plan survives contact with the enemy is forever being proved true. Managers must develop robust plans but allow for missteps along the way, and be able and willing to adapt the plan as fast as possible. The challenge for organisations is to create innovative strategies which are not organisational straitjackets.

The ideal state could be described as dynamic stability. An organisation must be constantly reviewing and appraising the reality; and be willing to change things as they go along.

The ideal state could be described as dynamic stability. An organisation must be constantly reviewing and appraising the reality; and be willing to change things as they go along. Agile practices can help teams develop a more flexible and effective approach to planning, by adopting short feedback loops, frequent adaptation of processes, reprioritisation, update plans constantly, and frequent delivery.[4] As research shows,[5] developing agile competences at all levels will help the organisation to promptly and effectively reallocate funding and personnel among initiatives. They can also rapidly adjust when implementation reveals new risks or opportunities.

Recognition that plans cannot be set in stone but need to be more fluid is growing. Consider the Dutch financial company, ING Group. It has embarked on an organisational transformation to create what it calls "One Way of Working".[6] This programme aims to incorporate agile methodology principles to improve flexibility, accelerate innovation with shorter time to market, minimise handovers, and provide employees with greater freedom and responsibility.

At ING, failure is becoming productively normalised rather than silently accepted. Some of its most ambitious programmes have had to change course. In extreme cases, programmes are completely halted, another path taken or the approach fundamentally changed.

ING relies on frequent review cycles and fast escalation procedures to identify which teams are stalling or need to be adjusted, as well as the root causes of a project delay or derailment. The focus is then on resolving the issue immediately. "If your projects take too long, cost too much money and don't give you the agility to fail fast,

learn and adjust, then you're not going to be very effective in terms of strategy execution", explains Dina Matta, Head of the Global Transformation Office at ING.

The challenge for leaders is to better understand their own relationship with failure and to use that knowledge to understand the failures of others. Only then will failure really be put to work.

2 Build failure into the culture

Accounting software company Intuit gives a special award for the Best Failure and holds "failure parties". "At Intuit we celebrate failure", says the company's co-founder Scott Cook, "because every failure teaches something important that can be the seed for the next great idea."

Taking positive lessons from failure and encouraging people to seize the initiative and take risks has to be an integral part of a company's culture. It has to be the way things are done around here.

Many leaders and organisations say that they are open to failure. Most pay lip-service to this in practice. Very few explicitly talk of failure in their corporate communications beyond platitudes. Enshrining an openness to failure enables people to take the risks necessary to succeed.

Leaders must be the role models. "You should have more things that don't work out, you have to get more aggressive," said Netflix chairman and CEO Reed Hastings when it cancelled a series. "The drive toward conformity as you grow is more substantial. As a leader, you want to drive people to take more risks." He has also lamented, "Our hit ratio is way too high right now…. I'm always pushing the content team. We have to take more risk…You have to try more crazy things, because we should have a higher cancel rate overall."[7]

In 2014, when Nadella Satya became Microsoft's new CEO, he declared that the new game was to be a Day 1 Company. For a Day 1 Company every day is a new day where experimenting, innovating and iterating is the norm. For Nadella this means asking three questions:

- How successful are we at creating new products, services or business models?
- How effective are we at adapting to new changes or disruptions?
- Does our culture reward risk and failure?

Failure has been championed by the adherents of organisational agility. This takes as its inspiration the work of software developers in working as teams to identify bugs and to sort them out.

Role modelling failure starts at the top of any organisation, division, team or small company. "If we're not making mistakes we're not trying hard enough," observed James Quincey when he became CEO of Coca-Cola in 2017.[8] Amazon's Jeff Bezos has been similarly vocal in making it clear that failing is an integral part of succeeding. "If you're going to take bold bets, they're going to be experiments. And if they're experiments, you don't know ahead of time if they're going to work. Experiments are by their very nature prone to failure. But a few big successes compensate for dozens and dozens of things that didn't work."

3 Fail fast, adapt and learn

Fail fast, fail often and fail productively. For entrepreneurs, being willing and able to pursue multiple inexpensive, quick experiments is part of their competitive advantage. Experiments and failure have a symbiotic relationship. But, it is not only a willingness to try out things to see if they work which is important. The best leaders and organisations regard failure as an opportunity. Chiefly, they regard it as an opportunity to learn as well as a motivational tool to guide future efforts. They adapt and learn.

The fail fast mantra is now commonplace. Failure has been championed by the adherents

Netflix CEO Reed Hastings at the company's Australian launch. (Claire Reilly/CNET)

of organisational agility. This takes as its inspiration the work of software developers in working as teams to identify bugs and to sort them out.

"We aim to make mistakes faster than anyone else," says Spotify co-founder Daniel Ek.[9] At NASA employees are encouraged to experiment and learn in an environment where it's safe to fail fast.[10] At the American Red Cross leaders encourage employees to learn from their mistakes, discuss challenges openly an accept failure as a valuable part of their strategy implementation. "I have seen more leaders fail and just stick to their strategy because they don't want to admit they made a mistake", says Gail McGovern, president and CEO of the American Red Cross.[11]

Research by Julian Birkinshaw of London Business School and Martine Haas of the Wharton School encourages executives to consider their return on failure. "Failure is less painful when you extract the maximum value from it. If you learn from each mistake, large and small, share those lessons, and periodically check that these processes are helping your organisation move more efficiently in the right direction, your return on failure will skyrocket," say Birkinshaw and Haas.[12] They suggest that each failure is an opportunity to challenge "your default beliefs and adjust accordingly" and should be followed by examination of what you have learned as a result about customers and market dynamics; the organisation's strategy, culture and processes; yourself and your team; and future trends.

Being honest and upfront about your failures – and those of people around you – opens the way to actively learning from failure. The challenge for leaders is to better understand their own relationship with failure and to use that knowledge to understand the failures of others. Only then will failure really be put to work.

About the Authors

Ricardo Viana Vargas is a specialist in project management and transformation. Over the past 20 years, he has been responsible for more than 80 major transformation projects globally, with an investment portfolio of over $20 billion. He is the executive director of the Brightline, a PMI Initiative together with leading global organisations dedicated to bridge the gap between ideas and results.

Edivandro Carlos Conforto, PhD is a research award winner and thought leader on organisational agility and agile innovation. His work help leaders transform their organisations to succeed in today's ever-changing business environment. He is the head of strategy research at Brightline Initiative, responsible for the benefit pillar of thought and practice leadership through academic and professional research.

Tahirou Assane Oumarou, MASc, P.Eng, PMP has over 15 years of experience in leadership roles, civil engineering, and project management. As director of operations of the Brightline Initiative, Tahirou oversees the activities under the three benefit pillars of thought and practice leadership, networking, and capability building. From 2013 to 2017, Tahirou worked as the deputy director of infrastructure and project management group in the United Nations Office for Project Services.

Being honest and upfront about your failures – and those of people around you – opens the way to actively learning from failure.

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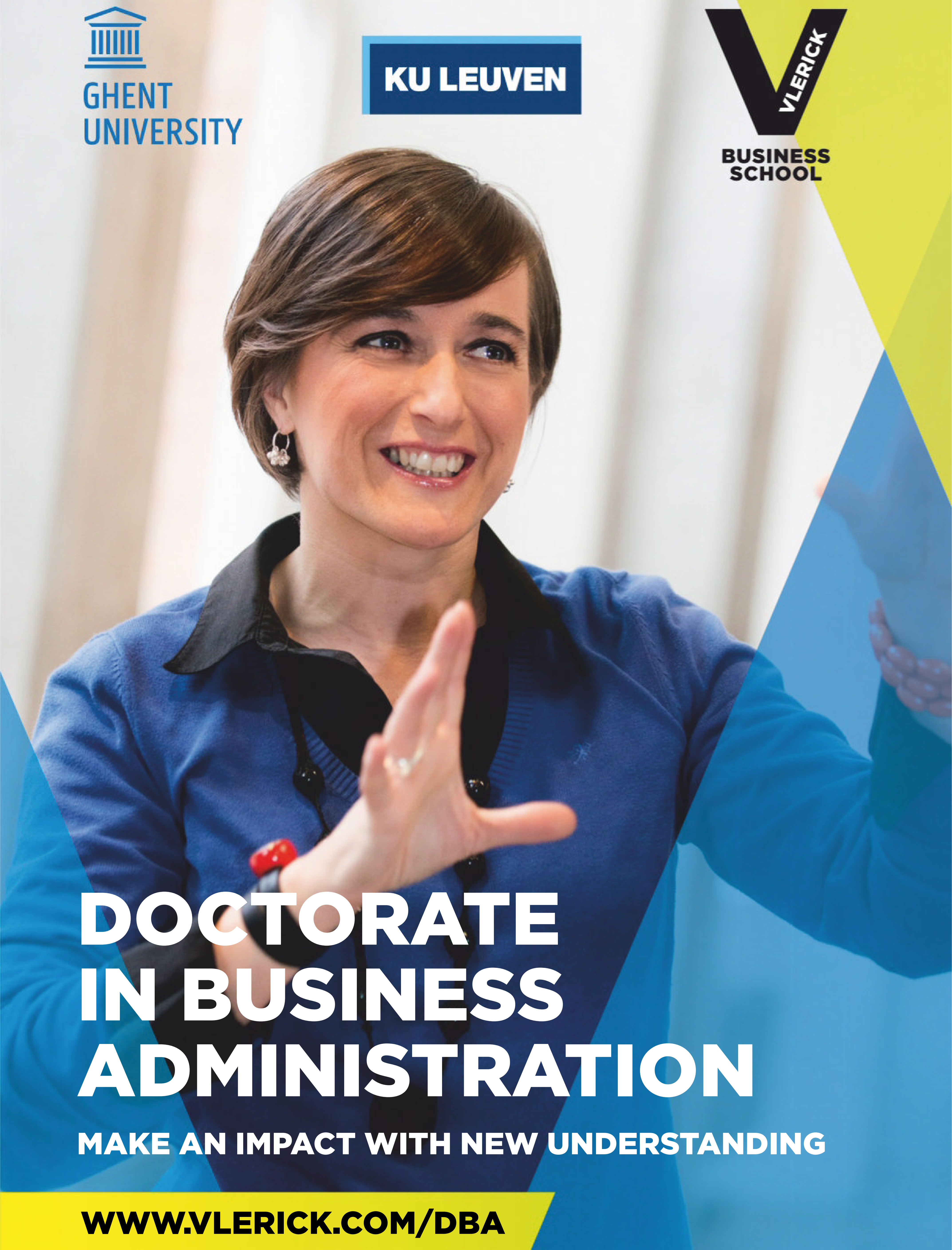
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KNOWLEDGE MANAGEMENT:
Bridging the Gap between Research and Practise

BY MOSTAFA SAYYADI

There are some executives that like to look at academic journals but unfortunately, the crossover literature has not reached them enough. In an effort to enhance the knowledge of executives worldwide, this article blends scholarly concepts with real world applications. With a clear understanding of the concept of knowledge management, executives can make more effective managerial decisions.

Knowledge within Companies

Executives across the globe have found that knowledge management is critical to business success. Knowledge, in and of itself, is not enough to satisfy the vast array of changes in today's organisation. Therefore, knowledge management is only a necessary precursor to effectively managing knowledge within the organisation.

First, executives must have an understanding of the concept of knowledge itself. Knowledge is identified as a multi-faceted concept and is distinct from information and data. Data has been defined as raw entities, and information is understood as a meaningful pattern within these raw entities. Knowledge is quite elusive and is changing on a day-to-day basis with discontinued products and the ever-changing vast array of technology. Therefore, to counter the above definition of knowledge, Ruggles defines knowledge as a blend of information, experiences, and codes. The key take-away for executives is that knowledge is a resource that enables organisations to solve problems and create value through improved performance, and it is this point that will narrow the gaps of success and failure leading to more successful decision-making.

Executives still wonder where knowledge is and how can it be captured, utilised, and enhanced when it comes to decision-making. Scholars found that within organisations, knowledge resides in various areas such as management, employees, culture, structure, systems, processes, and relationships.

Organisational knowledge cannot merely be described as the sum of individual knowledge, but as a systematic combination of knowledge based on social interactions shared among organisational members. Executives, being more conceptual, agree with Tsoukas who determines organisational knowledge as a collective mind, and Jones and Leonard who explain organisational knowledge as the knowledge that exists

> Scholars found that within organisations, knowledge resides in various areas such as management, employees, culture, structure, systems, processes,and relationships.

Similar to customer relationship management, knowledge management is an enabler for identifying and satisfying customer's needs and manifests itself as a significant driver that motivates the development of relationships with customers.

in the organisation as a whole. Most importantly, organisational knowledge is owned and disseminated by the organisation. To analyse knowledge in organisations, there are two important taxonomies of organisational knowledge that need to be discussed. The following section addresses these two important taxonomies in depth to set the record straight on the importance of knowledge management within companies.

Tacit and Explicit Knowledge

Why would executives care whether knowledge is tacit or explicit? The simple answer is that tacit knowledge is not shared and sometimes bottled up in individuals causing a bottleneck in the organisation. If knowledge can be categorised as tacit and explicit knowledge then how can executives manage knowledge to enhance productivity?

Since tacit knowledge is knowledge that exists in the minds of organisational members which is gained from their individual experiences, and is difficult to formalise and transfer unless directed to do so, executives need to pinpoint and encourage this type of knowledge to be drawn out or be shared. On the other hand, more controllable, explicit knowledge is knowledge that is highly formalised and codified, can easily be recorded and communicated through formal and systematic language, and manifested in rules and procedures providing the necessary tools and processes for executives to manage. It can also be captured in expert systems and tapped by many people throughout the organisation via intranet. Executives know that explicit knowledge is more formal and has the potential to be shared more easily. When it is expressed in words and specifications, it is much more useful compared to tacit knowledge. Executives can have organisational development experts to use focus groups to draw out follower's tacit knowledge.

Private and Public Knowledge

Since executives are constantly dealing with the public, especially if they are a publicly traded company, the private and public knowledge is something they pay a great deal of attention to. Of course, this is not new but definitely worth mentioning. For example, a scholar by the name of Matusik, argues that knowledge in organisations can be categorised as either private or public knowledge and can be advantageous to executive decision-making. A firm's specific knowledge must be guarded and should not be shared with the competition. Any leak of such information may expose the organisation and increase the operational risk. Contrary to private knowledge, public knowledge differs and it is not unique to any organisation. Public knowledge may be an asset and may provide potential benefits when posted on social media and other means of communication.

It is important for executives to consider the ownership of knowledge as a factor and as a significant contributor to the knowledge of organisations as a whole. Moreover, knowledge emerges in two additional forms, including the knowledge that is only accessible by one company and the knowledge that is accessible to all companies. The best approach to knowledge is for executives to know which knowledge is to remain private and which is to go public. A mistake in this area may be vital to the organisations and executives must choose wisely.

The Importance of Knowledge Management

Executives now are spending more time concerned about operational risk than ever before. Operational risk is an operational approach to represent knowledge management but in this case, it seeks to apply organisational knowledge in order to satisfy and exceed customer's expectations. Similar to customer relationship management, knowledge management is an enabler for identifying and satisfying customer's needs and manifests itself as a significant driver that motivates the development of relationships with customers. Scholars have proven that executives can use knowledge management to improve customer satisfaction through acquiring additional knowledge from customers, developing better relationships with them, and providing a higher quality of services and/or products for them.

The key function of knowledge management is to help executives use it for employee development. In this context, training has become the forefront to success for organisations worldwide. The more training opportunities they provide for their employees, the better and higher return on investment to shareholders. Why is this, you may ask? Because learning is a process that leads to acquiring new insights and knowledge, and potentially may correct sub-optimal or ineffective actions and behaviours that cause companies to spiral out of control.

Executives have found that organisational learning as modifying behaviour results in newer insight and knowledge. Thus, changing existing behaviours of followers will generate new knowledge, and is, therefore, a key factor in improving a firm's competitive advantage.

How can we establish the relationship between knowledge management and organisational learning? Well, one scholar by the name of Bayyavarapu suggests a learning-based approach to knowledge management to understand how organisational learning is related to various processes of knowledge management. More importantly, the effective implementation of knowledge management requires learning and sharing of best practises and experiences among employees and thus enhances overall organisational performance. However, a more comprehensive model needs to be introduced to put various aspects together of potential contributions to organisational performance. For example, an industry research conducted by Lau and Tsui show that effective organisational learning requires various processes such as knowledge acquisition, collaboration, dissemination, sharing, generation, and storage to acquire knowledge within an organisation. Knowledge management improves organisational processes through various practises and can also enhance organisational learning that increases both follower engagement and personal development.

Knowledge Management is the Key to Firm Performance

Executives today realise that knowledge is one of the most strategic factors for organisations from a competitive standpoint. The question lies in how to maintain, store retrieve, and protect it. This has been a focal point of organisations since the corporation was first initiated and will always be an ongoing issue for leaders. Knowledge creation and utilisation are pertinent to an organisation's success, thus, executives create new ideas and knowledge for innovation and to motivate employees to solve their current problems in a more innovative manner. The acquisition of new knowledge is an ongoing process and can be essential to identify the needs of customers and recognise changes in the business environment.

Executives then integrate knowledge internally to enhance the effectiveness and efficiency in various systems and processes, as well as to be more responsive to market changes. In knowledge integration, the accumulated knowledge

Knowledge management improves organisational processes through various practises and can also enhance organisational learning that increases both follower engagement and personal development.

Knowledge management can improve financial and non-financial performance through increased sales, customer satisfaction, learning opportunities, innovation, and the quality of products and services.

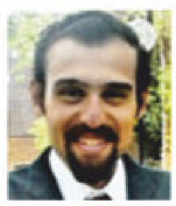
is shared and synthesised with an aim to providing higher quality of products and services. This can improve financial and non-financial performance in various metrics such as the customer focus, the quality of products and services, and the organisational revenue. Shared knowledge can contribute to the development of a learning organisation in which people continuously grow and develop personally and professionally.

Executives must also curtail the knowledge within organisations. The integrated knowledge needs to be reconfigured to meet environmental changes and new challenges and at the same time, should not be leaked to the competition in any shape or form unless agreed upon by senior executives. Therefore, knowledge reconfiguration enables organisations to actively respond to environmental changes through developing interactions and awareness from the external environment. Knowledge management can, therefore, improve financial and non-financial performance through increased sales, customer satisfaction, learning opportunities, innovation, and the quality of products and services.

In Conclusion

Many executives are familiar with knowledge management surveys developed by scholars and this article is not about measuring aptitude or defining knowledge management. This article is about getting the information needed by the executives worldwide to be more successful. Some scholars emphasise that knowledge management is tantamount to executive's success. Knowledge management has been a focal point of executive's span of control but has not been associated enough with firm's performance to make it an integral part of the organisational success. I found that knowledge management is a latent concept but one of great importance for the executives. From a scholar's corner, I place a great deal of emphasis on the literature on knowledge management as a significant indicator for organisational performance. Thus, this article adds to a relatively small body of literature but pays homage to the scholarly contributions.

About the Author



Mostafa Sayyadi, CAHRI, AFAIM, CPMgr, works with senior business leaders to effectively develop innovation in companies, and helps companies – from start-ups to the Fortune 100 – succeed by improving the effectiveness of their leaders. He is a business book author and a long-time contributor to HR.com and Consulting Magazine and his work has been featured in these top-flight business publications.

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GreenVesting

What GreenVesting does!

GreenVesting is Germany's green role model crowdinvesting platform with major emphasis on renewable energy, energy efficiency and ecological real estate.

Here is how GreenVesting's crowdinvesting concept works

The project owner repays interest and collateral into escrow

GreenVesting initiates payments to investors via escrow

Utilizing the funds from the crowd, project owner realizes the project

Once funding hurdle is reached GreenVesting intiates trustee to pay funds out of the escrow to project owner

The crowd invests via GreenVesting into escrow

Advantages for investors

full transparency

- ongoing reporting on website
- investment decision according to personal preference

profitable

- attractive yields
- no additional or hidden costs
- efficient process

social and ecological impact

- combine ecological impact and yields
- diversification
- no correlation to equity and debt markets
- national und international projects

easy to use

- paperless
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- fast

Transpitality:

How Autonomous Driving Technology Will Reshape the Industry Landscape

BY STEVE LEE, WON YONG-OH AND IRENE YI

There has been increasing attention to self-driving cars, but business is still missing some key insights into how it will disrupt the industry landscape. This article shows how autonomous driving technology will disrupt several related industries, and proposes that "transpitality" (transportation + hospitality) will emerge as one of the new forms of business.

What Could Future Travel Look Like?

The following is a scenario of what future travel could look like.

Jennifer, who lives in Las Vegas with her husband and daughter, is planning a business trip to San Francisco the next morning. She decides to use Autonomous Mobile Hotel, a specialised travel vehicle operated by the Autonomous Hotel Group. Using an app on her smartphone, she types in her itinerary and selects a single-occupancy mobile room. Expecting that she'll want a little down time before and after her meeting, she also reserves a 4-hour docking station at the Autonomous Hotel San Francisco.

After having dinner with her family, Jennifer loads her luggage into the Autonomous Mobile Hotel, which has arrived on schedule and is waiting in front of her house. While the Autonomous Mobile Hotel drives her to San Francisco, Jennifer makes use of the time to work on her presentation, then relaxes and gets some sleep, just as she would do at home. A screen live-projecting her husband reading bedtime stories to their daughter makes her feel perfectly connected to home. Once the Autonomous Mobile Hotel arrives at the Autonomous Hotel in San Francisco, it automatically docks into a docking station forming a larger integrated unit. With access to all of the Autonomous Hotel amenities, Jennifer feels secure and relaxed.

The next morning, the Autonomous Mobile Hotel drives Jennifer to her business meeting, giving her a bit more time to polish her presentation. After dropping her off at the meeting location, the Autonomous Mobile Hotel returns to the Autonomous Hotel for housekeeping, and stands by for Jennifer's call. Later that afternoon, when Jennifer's meeting is over, the Autonomous Mobile Hotel picks her up and starts the drive back to Las Vegas. With her presentation successfully behind her, Jennifer stretches out and relaxes, enjoying the scenic views and taking in a couple of movies.

Transpitality: A New Form of Business

The emergence of autonomous driving technology marks the arrival of a new era. There are two advantages of self-driving vehicles. First, they can self-drive for extremely long hours and distances without getting tired or being hampered by poor night vision. Second, they can make multiple door-to-door trips without having 'first mile/last mile' problems. These

Transpitality, a word integrating transportation and hospitality, will become a new type of business utilising autonomous vehicles in the future.

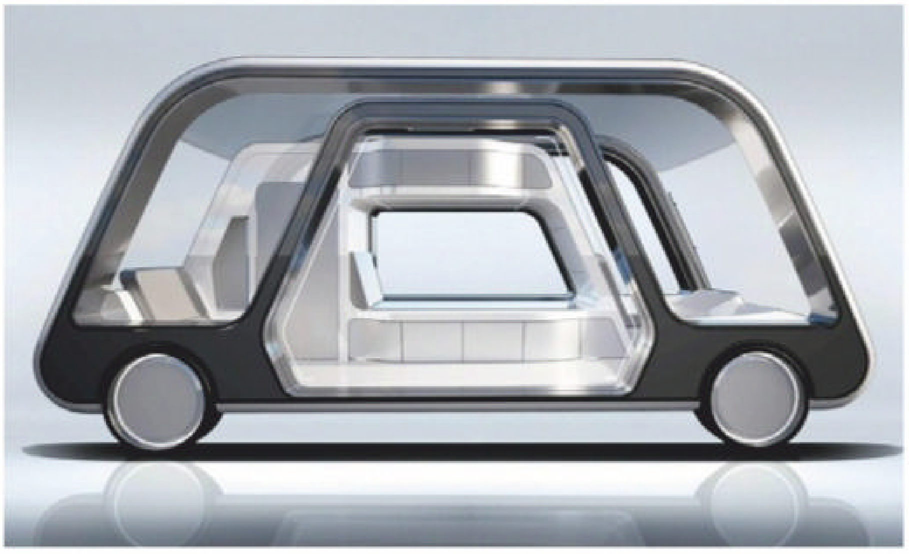

Photo Above: Autonomous Travel Suite Diagram
Photo Below: Autonomous Travel Suite Night View

advantages make autonomous vehicles ideal platforms for long-distance travel. What has been overlooked is how this technological advancement will redefine what an automobile is, and how related industries should rethink their scope of businesses accordingly.

Transpitality, a word integrating transportation and hospitality, will become a new type of business utilising autonomous vehicles in the future. There will be new demands for various kinds of services including food & beverage, entertainment, infotainment, room service and maintenance, as travellers will choose to use their time more productively while travelling inside autonomous vehicles.

Autonomous driving technology, along with other emerging technologies such as Artificial Intelligence, Big Data, 5G and the Internet of Things (IoT), will create new opportunities in the future and this will change the landscape of related industries, creating threats to some industries and opportunities for others.

Aprilli, a Toronto-based design studio, is the first to propose the concept of Transpitality, the idea of a mobile hotel room based on autonomous driving technology: the Autonomous Travel Suite[1]. The idea, which won the 2018 Radical Innovation Award's grand prize, is of a transportation vehicle and a hotel room combined. Designed like hotel guestrooms and equipped with sleeping and working areas and a washroom facility, the Autonomous Travel Suite provides more comfort and privacy than flying, driving or taking the train, letting travellers use their travel time more efficiently and productively and in a more convenient and cost-efficient way.

How Would Autonomous Driving Technology Disrupt Related Industries

- **Automotive**

When autonomous driving technology becomes commercialised, an automobile will be redefined as an interior space, rather than a means of transportation. As the driver will no longer be needed, the interior and exterior of a vehicle will need to evolve to increase space efficiency and to better support the passenger experience. The vehicle will be equipped with various features such as washroom units, work desks, video monitors, a minibar, storage and even beds. Car makers' success will depend on how they design the passenger experience rather than on simply improving fuel efficiency or mechanical aspects. It will be necessary to develop products according to consumers' specific needs (e.g., an entertainment car), rather than focussing on car size and type (e.g., a luxury sedan). For example, automobile companies will need to develop a car that maximises the rest function, suits the work environment or emphasises the entertainment function. Automobile companies might even have to design dual modes – driving mode and sleeping mode – to accommodate a customer's different needs.

- **Domestic Airlines**

The airline industry, especially domestic airlines, is likely to be threatened by autonomous mobile hotel rooms. Compared to domestic flights, which require check-in, security screening, multiple transfers (with potential

For business travel within a 4- to 10-hour driving distance, or travels requiring multiple stops, the autonomous mobile hotel rooms will be a much more convenient option with lower cost and better connectivity.

1. http://www.aprilli.com/autonomous-travel-suite

> The hospitality industry can identify opportunities because it can expand its traditional scope of hospitality to include transportation and mobility.

delays or cancellations) and travel to and from the airport, these new mobile hotel rooms can be operated as a door-to-door rental car and hotel room in one, providing unlimited flexibility and mobility. For business travel within a 4- to 10-hour driving distance, or travels requiring multiple stops, the autonomous mobile hotel rooms will be a much more convenient option with lower cost and better connectivity. Therefore, the airline industry should provide answers to the following fundamental questions: "Why would passengers continue to fly, given the low efficiency in terms of time and budget?" and "Will self-driving technology disrupt the entire business of domestic airlines?"

Photo Above: Autonomous Travel Suite Drones
Photo Below: Autonomous Travel Suite Podium

- **Hospitality**
  Conventional hotel operators will face competitive challenges from autonomous hotel rooms equipped with a transportation function. Unlike the past, when accessibility to mass transportation or city centres was important, hotels in highly congested areas will lose their attractiveness.

  At the same time, the hospitality industry can identify opportunities because it can expand its traditional scope of hospitality to include transportation and mobility. Large hotel chains can redesign some of their spaces to become "stations" for customers travelling with autonomous vehicle while they are in transit. Hotels in static locations can provide parent units into which mobile hotel units can dock, to form an integrated unit, for better comfort and access to upscale hotel facilities. These stations would give travellers access to food and beverages, a spa, a pool, a gym and meeting rooms, along with housekeeping services and maintenance of the mobile hotel units, just like any conventional hotel could offer. The boundaries of hospitality will become less clear as Transpitality becomes a new form of business.

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The Future of LUXURY TALENT

BY ASHOK SOM

Leadership style and strategy that luxury brands should keep an eye on in order for them to ensure that their business philosophies and brand proposition are effectively conveyed and their brand is well presented to their target market. In this article Prof. Ashok Som weighs up the changes and challenges ahead for the luxury industry as it moves into a global mode and sets out the skill sets luxury brands will require of its employees both onboard and onboarding.

Luxury has changed: bring on the Hydra

There was once a time when luxury had a single head. The head belonged to a creator-designer-craftsman all rolled into one, initially producing excellence that was commissioned by local monarchs and local aristocracy. In France and Italy names were made and shops opened, still local, sometimes regional. And then, with the industrial revolution, legends grew. With greater wealth among greater numbers of people, those seeking the unique and rare and willing to pay a high price for exceptional quality travelled to the outlets to buy on site. This all belonged to the pre-1950s: small, family run businesses with the founder-creator as head.

Today, if we stop to gaze at the luxury sector, the first observation is that the business of luxury is no longer a local business. It has become global, faceted by digitalisation, instant communication mobility, nomadism and a new breed of consumer from the emerging BRICS countries – educated, digitally savvy, and abreast of the changing ways in which the products and services are designed, marketed, distributed, and consumed. And although the traditional core values and heritage of the industry remain true and spark the motivation to purchase luxury, they are no longer enough to cater for the hydra that the industry has become.

While many other sectors have traversed the same revolution, the luxury industry is as unique as the products it creates: the industry is small, with a total

In order to thrive in the transformation of local sales and local business model to global perspective and initiatives, the industry needs talents with specific and versatile skill sets that are entirely new to luxury while enabling the existing talent pool to adapt and change with the times.

of about 110 brands (excluding cars, hotels, yachts and other heavy-duty luxury products and services) and the people working there traditionally move from one brand to another. An "Up-or-out" syndrome has been prevalent as employees had to continuously reinvent themselves, renew their creativity, be agile, and perform. The local-to-global scenario is changing this too. In order to thrive in the transformation of local sales and local business model to global perspective and initiatives, the industry needs talents with specific and versatile skill sets that are entirely new to luxury while enabling the existing talent pool to adapt and change with the times. In short, the luxury brands need to be run by skilled professionals who not only understand the intricacies of the business but also can operate on a global scale.

Luxury brand creations have seen phenomenal growth in their reach and sales over the last twenty years thanks to wider marketing, organic growth, greater presence in outlets and new luxury consumer segments.

Brahma sees four

Luxury brand creations have seen phenomenal growth in their reach and sales over the last twenty years thanks to wider marketing, organic growth, greater presence in outlets and new luxury consumer segments. Family-run businesses are rivalled by the conglomerates such as LVMH and Kering some of which – in order to cope with the demand and to increase profitability – have outsourced some of their activities to skilled labor in various countries. However, luxury customers still, above-all, crave "Made in France," "Made in Italy," or "Swiss" watches. This raises the challenge of how to manage largescale growth and scale up the production of goods, while keeping the brand DNA intact and produce in a home country where skilled workers are fewer and harder to find. Indeed, it could be said that the scarcity of these skills at home render them almost a luxury in themselves. The challenge is fourfold in terms of skill sets required along the chain of luxury:

- **Craftsmen** and women who possess tacit knowledge of the brand DNA.
- **Designers** who deeply understand this DNA and who create innovations around it.
- **Salespeople** who translate the story of the brand into unforgettable consumer experience to the diverse and increasing numbers of consumers across different cultures and continents.
- **Managers** able to run the business not as an SME but as a global corporation.

A Chanel boutique is seen through a show window in Seoul. Photo: Bloomberg News

By Janus, I think yes!

Looking closely at the four different types of talent, each has a specific skill that calls into optimal use their left or right brains effectively. To go further, the left brain uses logic, focuses on detail, facts, figures, complexity, acknowledges reality and is oriented towards strategic, practical and low-risk thinking patterns. On the other hand (or head), the right brain is generally acknowledged to think in terms of feelings, creativity and imagination, with a preference for the bigger picture, symbols and images and an appreciation of spatial perception and knowledge while being open to *what ifs* and risk-taking.

In the luxury industry, to a certain extent, craftsmen have to be skilled in balancing the right- and left-brain functions. The designer, however, has to be more skilled in right-brain functions. As for sales, people working within this function need to be more focused on the left-brain while developing the competencies of the right-brain. Finally, managers on the other hand need to be more skilled in using the left brain while acknowledging the right.

It is a difficult balance for brands to ensure and it becomes more challenging with the expansion and growth of the industry. On the one hand, employee willingness to learn and effectively use new skills is an attractive trait at all levels of the organisation and effective training schemes set up by brands can help nurture and achieve this. But on the other hand, what has become a global, digital-influenced and complex industry desperately needs outside professionals from

Brands can flutter in all their spring time glory, only to comprehend their fragility when collapse, which comes so quickly in luxury, suddenly looms.

different fields armed with hybrid skills. For example, the need to expand into emerging markets such as China and South Asia requires cross-cultural experts capable of moving seamlessly between countries, cultures and languages and skilled in ensuring that the essence of the brand is not lost as the industry goes global. This does not mean, however, that these outside talents with specific and hybrid skills outweigh the creative geniuses who are the messengers of the brand. Future success can only be generated by balancing these two categories.

The prefect paradox

The luxury industry thus is the story of a perfect paradox. On the one hand it sells itself (among other inherent attributes) on the notion of timelessness and heritage, and on the other it offers beauty that can metaphorically die in a day, only to be reborn in the constant cycle of creativity and changing fashions. In an industry context, skillful homoluxus – as those working in the luxury sector are known by – are also well aware that the lifespan of luxury brands is varied and totally surprising. Brands can flutter in all their spring time glory, only to comprehend their fragility when collapse, which comes so quickly in luxury, suddenly looms.

Although there still exist luxury brands which have lived through generations of family ownership – Estée Lauder and Hermès among them – and still others acquired since their early days by wealthy families – Chanel, for example – countless luxury butterflies have ended up in the collections of conglomerates that have built a portfolio of brands focused

Champs Élysées-Vuitton Apartment, Paris, France

on specific luxury sectors within their own structures. The environment for these pretty creatures has changed too. From being the predilection for only a small elite of consumers, in recent years' luxury has become accessible to a wider, younger and more international net, extending their reach by expanding their product range and diversifying into larger offers such as eyewear, perfumes and accessories.

The creator behind a brand – the artist that gives all the uniqueness and beauty to a luxury product – was also in former times the controller of the brand. But the developments in the sector over the last twenty years or so have raised questions about his or her capability, indeed capacity, to run a global business, to sell, and to manage the value chain as well as the issue of continuing brand legacy after his or her departure.

The golden rule in real luxury is to make sure creators have no managerial responsibilities and are given a free rein to pursue their art as long as their creation is coveted for. Of course there can be failures sometimes, but not too many times. Take the example of Alessandro Michele and Marco Bizzari. After meandering for a decade the duo has got it right. The example of Gucci shows that that luxury can only work if the products are unexpected and unplanned. Creation goes beyond a system or habits and the organisation of a luxury house has to allow for this. This is where the manager comes in. And in this context, a manager's capacity to master the paradoxes and dilemmas in luxury may well have a butterfly effect not only on his/her teams and results, but also on the brand and its charismatic creator.

Be the change you want to see

Research, including interviews and surveys among luxury professionals,

points to the luxury sector requiring people with skill sets that enable them to display a mix of aptitudes: able to fit in with the changes in the industry environment, connect and work within the luxury sector areas
related to the right-brain, fit with the brand and company culture, and demonstrate competencies related to the left-brain. In this context, it is worth taking a look at how each of the four populations mentioned previously operates.

Craftsmen are an inherent, historical and irreplaceable component of luxury. In former times, catering for local or regional customers, the luxury product required skills mainly focused on their craftsmen's passion for excellent work and creative design that possessed their signature differentiation. The same is true today in several, specific brands but perhaps best encapsulated by the Swiss watch industry. And this craftsmanship, although subject to outsourcing among others in the industry, is seen as a major attribute for the future. To quote Fulvia Visconti Ferragamo: *"Craftsmanship is the key to luxury, because I think the time has come back to restore the value of the expertise of craftsman and to look to the solid foundation of the past to create the new."*

Entrepreneurial designers: Van Cleef, Hans Wilsdorf, Arpels, Guerlain, Krug, Rothschild, Chaumet brothers, Coco Chanel, Gucci and Breguet are all examples of designers with an entrepreneurial flair. In the days where designers started their businesses with their passion and a belief in what they created, the objective of business was not to maximise shareholder value. As such, they did not feel the need to hire talents in retail, finance, marketing or branding and titles such as CFO, COO or HRD were unknown and rather distasteful badges secondary to their art. Times have changed. Gucci, Hermès, Chanel and Vuitton all need these professional skill sets to ensure that the beauty created by their designers remains sustainable and profitable.

Unlike those in other industries, the **sales team** in the luxury sector has to juggle constantly between left- and right- brain patterns and indeed mix them on a daily operational basis. The sales person has to be a practical artist, blending strategic thinking with a dash of creativity. Such diversity is not easy to find in a single employee and even if it is, the particular blend is often difficult to manage. The major challenges facing sales are how to make profit without compromising the brand's DNA, grow market share without diluting the brand offer, and retain the low product accessibility inherent to the luxury aura while still selling as much. To give an example of the dilemma, 94% of young Japanese women now own a Louis Vuitton product with the risk of making the brand less exclusive: how do sales maintain that selling rate while guarding brand exclusivity? Hermès and Bottega Veneta provide different examples and another extreme: while Hermès innovates and customises to woo Chinese and Japanese clients, they stick firmly to their cultural roots and heritage; and while Bottega Veneta sells, there is relatively low brand awareness compared to competitors such as Armani. How to manage the sale of a brand that displays no logo and promotes itself through discreet subtlety?

With the shift from family-run, entrepreneurial luxury businesses to global players, **professional managers** have become important factors for brand survival and growth. Multi-brand conglomerates whose business model incorporates globalisation, professionalisation, commercialisation, centralisation, and profit maximisation for their shareholders need them. So do the handful of small, family-run brands. Gone is the "Chef de Maison" (Head of the House). Managers working in luxury today require diversified skill sets that include strong leadership, effective communication, and efficient strategy-making and financial skills. Most will have come from reputed business schools and possess experience across sectors with a proven record of well-rounded management and open communication skills. They also have to know how to recruit, motivate and retain talent within the brand and should be characterised by having a keen insight for change and development within the market regarding market entry, expansion,

"Craftsmanship is the key to luxury, because I think the time has come back to restore the value of the expertise of craftsman and to look to the solid foundation of the past to create the new."

Fulvia Visconti Ferragamo

extension, and acquisition. Once again, it is essential for line management to understand the attributes of their brand, its values and market position, and operate while staying true to the brand's DNA.

Hercules: a cutting-edge example

The above mentioned changing needs for hybrid skill sets is a reflection of many new dynamics in the luxury industry: the digital revolution, globalisation, faster and improved customer feedback, structural changes in the industry, new business models, and more cross-relationship between governments. The hydra that the industry has become has not destroyed the fundamental attributes and values that luxury holds, but has raised more challenges for the luxury brand to cater with than ever before: only a hybrid, two-brained and brand-sensitive workforce can effectively deliver the Herculean response required.

Indeed, management style is also profoundly influenced by the distinctive environment, social culture, and climate in which an organisation operates. And given that the luxury industry is ridden with paradoxes, managing people in this industry is also a paradox. To survive and prosper in the luxury environment, luxury brands should be seeking to take on board managers who possess a combination of the following attributes and backgrounds.

Difference: embrace it and understand it

There is, of course, no one-size-fits-all. Different houses, brands, and conglomerates have different management styles according to the personalities of their leaders and the internal and external environment in which they operate. However, luxury is a world of details that make a difference – to stretch the butterfly metaphor further, ones that may separate the luxurious Eighty Eight from the common Cabbage-white. To be a manager in the luxury industry requires physical endurance, good mood, good health, and good listening skills in both the home and the international market contexts. Quite apart from the usual hard skills attributes of a manager, understanding is paramount to capturing the subtleties of the luxury game, its details, and the specific language of the luxury brand. In the end, the homoluxus should always know that Luxury has been built on the foundation of certain principles that can be neither ignored nor compromised. It is a culture and a philosophy that requires understanding before the adoption of business practices because its intricacies and output are essentially different from other types of goods. Embrace and understand it and the experience will be like working on a butterfly's wings: beautiful, creative, heady and in constant regeneration.

Key takeaways

- The business of luxury is no longer a local business. It is global, digitalised, mobile and shaped by new, emerging consumers from both developed and emerging markets.
- The industry seeks talents with specific and versatile skill sets that are entirely new to luxury while enabling the existing talent pool to adapt and change with the times.
- The four main skilled job categories – craftsmen, designers, sales forces, managers – use predominant left- or right- brain thinking patterns and those who are adept in smooth transition between both have undeniably an added advantage.
- While each function has to remain respected, new industry challenges mean that luxury employees require a high degree of awareness between creativity, quality and desirability.
- Newcomers to the industry must demonstrate multi-cultural skills that include cultural awareness and languages while ensuring that the essence of the brand is not lost as the industry goes global.
- Typical challenges involve blending results while remaining true to brand DNA and luxury attributes such as quality, rareness, exclusivity, and temporality.

About the Author

Ashok Som is Professor of Management Department at ESSEC Business School. Professor Som is one of the pioneering thought leaders in designing organisations and an expert in global strategy. At ESSEC, he is currently the Co-Director of ESSEC-Bocconi Executive Masters in Luxury (EMiLUX) Business. He was the Founding Associate Dean of the full-time, one-year post experience Global MBA program of ESSEC Group, the founder of the India Research Centre and the founder Director of the Global Management Programs on Luxury and Retail Management (in partnership with Indian Institute of Management (IIM) Ahmedabad).

HOW TO **MAXIMISE EMPLOYEE RETENTION RATES** IN THE JOB-HOPPING AGE

BY STEFAN KLUMPP AND GARETH PLATT

In a world where 1 in 4 employees quits within 90 days, how do you hang on to your best and brightest? Software company Mobile Jazz has come up with a winning formula which any company can follow - even if they don't have the financial firepower of Facebook or Google.

At a time of near-full employment, with a booming gig economy and a scarcity of digital skills, it's becoming harder and harder to cling on to talented staff. Research from LinkedIn shows the average global staff turnover rate is now 10.9 percent, and over 1 in 4 employees quit within the first 90 days of their new role.

For employers, this trend is potentially disastrous. If someone new quits, it paints a picture of discontent within the company and can destabilise more senior employees. If the resignee is a long-standing member of the team, they take a huge bank of knowledge with them, which will take months if not years to replace.

So it's crucial that today's firms do everything they can to maximise employee retention rates. For companies such as Mobile Jazz, this is doubly important; we're trying to establish ourselves in the technology sector, where competition is at its fiercest. We went fully remote last year, which could have presented an additional challenge, as many people still believe that in-office jobs offer greater security.

We've put a dedicated staff retention system in place, drawing on the advantages of being a distributed company, and the benefits are clear. Most of our employees have been with the company for five years or more, while the average stay for people in top tech companies is only 2.1 years. None of the people who were with us when we became a fully remote company last spring have decided to quit. They've supported our vision and bought a ticket for our journey.

Most of our employees have been with the company for five years or more, while the average stay for people in top tech companies is only 2.1 years.

Personal growth

Why are people so keen to stay with us? Well we pay a very good base salary, but we certainly don't try to compete with the giants of the tech world, the Googles, the Apples or the Facebooks. Thankfully we're living in an age where people are less motivated by money than their predecessors, and we feel we've built a seriously competitive offering, full of additional benefits that improve our people's day-to-day working life.

A lot of companies, particularly in our space, have gone down the 'whacky' route to building their culture. They've installed all kinds of novelty furniture, from ping-pong tables to Arcade machines. But, even when we had an office, we didn't do that. If you go online and find out what today's tech workers really think about such gimmicks, you'll understand why.

Instead of cheapening our employee experience with novelty fads, we've given our team something they actually want: a personalised growth path which lets them develop within the company. We've read reams of research that emphasise the

importance of career paths, both in meeting the enhanced expectations of the modern worker and creating a sense of agility within the company. That's definitely something we've seen, too.

We sit down with each team member and map out what they want to achieve, as well as the amount of responsibility they want to assume. Some team members want to lead projects; others, particularly those with young families, often want nothing more than to organise a talk or event. But whether someone wants a step up, or a step down, we try to make it happen.

The idea is to ensure that everyone is constantly reevaluating their goals, and the company structure adapts to its people. We don't want a rigid old-fashioned hierarchy, where long-standing employees are stuck in high-level positions and blocking the path of people ready to take over.

The growth path has a clear financial angle. We use it as a basis for our quarterly dividends, drawn from the company profit margins, and as a baseline from which to gauge special achievements. If someone goes above and beyond the objectives outlined in their growth path, they're likely to receive a bonus. But it's not really about the money; the growth path is a key part of the structure we've built for the company.

Two-way responsibility

A lot has been written about the bossless workplace, the growing shift away from top-down management systems and towards flexible environments built on self-responsibility. We don't think it's quite that exaggerated - you're always going to need leaders to preserve the values of the organization. But we've definitely strived to build a fluid, flexible structure in which people are given ownership of their ideas.

At Mobile Jazz, we don't have dedicated project managers. Like a lot of tech companies, we've found that agile working requires pop-up teams for each new project, each with its own leader chosen on the basis of skill, not title. This carries a major commercial benefit - the more agile you are, the more successful your projects will be - but it also provides a cultural benefit, by empowering each member of the team and encouraging them to push for leadership roles.

We don't want a rigid old-fashioned hierarchy, where long-standing employees are stuck in high-level positions and blocking the path of people ready to take over.

We expect everyone to react positively to this structure, and assume responsibility. If an urgent email comes in from a client, we expect someone to jump on it even if it's not their direct contact. But we also reward our team, and let them know we trust them. Each member is given the right to work flexible hours and take as much holiday as they want. If they want to take a break and it won't disadvantage our clients, then it's ok for us. If they come up with an idea for a great piece of software, we're happy to let them build it on work time.

Combined with this, we've developed a program called MJ University, which is designed to complement the Growth Path. We ask team members what they want to learn, and pay for them to study the appropriate course. This has clear advantages for us, as we're constantly up-skilling our team and getting the jump on new technologies. But the benefits go way deeper than that.

Our culture of trust has played a massive role in retaining our people. Studies have found that a majority of employees identify trust as a key reason to stay, or leave, a company. Mobile Jazz is living, breathing proof of that correlation. The evidence also suggests that workers who are treated like adults are more likely to go the extra mile for their company and act as an ambassador, both internally and externally. This creates a virtuous circle, leading to a vibrant atmosphere which everyone wants to be part of.

Strong culture

Yet perhaps the most important part of our strategy is the culture we've created. Today's young workers - the ones who make up the bulk of the tech workforce - are strongly motivated by mission, the desire to work for a company with a genuine sense of purpose. We try to fulfil this desire as much as possible.

We've been lucky enough to work on several socially focused technology projects including Worldreader, an app that promotes literacy in the third world, and MyMoments, an image-editing software for vulnerable people. To complement

Studies have found that a majority of employees identify trust as a key reason to stay, or leave, a company. Mobile Jazz is living, breathing proof of that correlation.

this, we actively encourage our people to work with charities, and even match their donations (we also blog about our team's charity work as much as we can). Many of our folks take on marathons and other challenges for charity, and they do so with our full backing.

Another key aspect of our culture-building initiative is language. We've referred to 'our team' and 'our people' several times in this article, and that's no accident - we never call them 'our staff' or 'our employees'. We want to show everyone that this is a community rather than a company, a collective of talented people working together to take on inspirational projects.

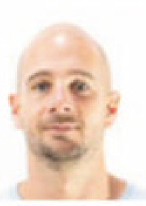
Indeed we try to ensure that, even though we work remotely and are spread across several different countries, we still have a real family vibe. We've got dedicated Slack groups to chat during the day, and we actively encourage our team to plan trips on their own and visit each other wherever they are in the world.

To back this up, we hold multiple workations per year. As well as being a reward for our team (we hold the workations in fun, exotic destinations and it's all fully paid), these trips reinforce our identity. We started out as a group of friends who wanted to work together, and, if we want to retain our people, we need to retain this spirit.

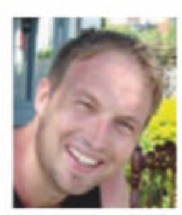
There's plenty more information about our employee retention strategies in our recently published culture book. ('A quick Google search for 'Mobile Jazz Company Handbook' will bring it up straightaway'). But we hope there are plenty of useful takeaways in the material we've provided.

We're not saying our strategy is perfect - we once had to part company with someone on their first day, because we knew we'd made a major mistake in the hiring process - but we feel our retention record speaks to its success. If you create a company which works for your people, you've got a better chance of keeping them - even if you don't have the financial resources of a Google or Facebook to sweeten the deal.

About the Authors



Stefan Klumpp is an entrepreneur and investor who founded Mobile Jazz in 2011. He has since steered the company to seven-figure turnover, working with companies such as Airbus, Skyscanner and AVG. He previously worked on Stanford University's driverless car project and is a prominent figure in the global startup community, thanks to his role as co-organiser of TechCrunch Mobile in Barcelona.



Gareth Platt works as a consultant with Mobile Jazz and has previously worked with a number of prominent business titles including The Wall Street Journal and Dow Jones Newswires. He blogs regularly on the subject of telecommuting and the future of work.

HOW TO NEGOTIATE EFFECTIVELY WITH MULTIPLE PARTIES?

BY: KANDARP MEHTA AND GUIDO STEIN

Soft skills, like negotiating, have become increasingly important in creating personal relationships and fostering opportunities for your business' long-term success. While it is easier to formulate agreements between parties, diffusing differences and managing cooperation from multiple parties are far more complex, yet the most common in today's business world, even in the daily transaction of our lives. In this article, the authors discuss the techniques on managing and leading multiparty negotiations.

Two sisters are fighting over an orange. Their mother intervenes and discovers that one sister wants to have juice while the other needs the peel to make a pie. The mother appropriately shares the two parts of the orange between the two sisters and both are very happy. You have read this kind of story in many negotiation books. However, to this scenario add another sister who wants the peel for cosmetic use, a grandmother who thinks that the orange is rotten and should be thrown away, a toddler who thinks that the orange is a ball and wants to play with it, and an elder brother who wants the orange simply so that nobody else can have it. That's a multiparty negotiation for you. It is frequently difficult to identify who wants what and how to get what we want in such a dynamic situation. Let's try to understand what some of the biggest challenges are in multiparty negotiations.

> One of the biggest challenges in a multiparty negotiation is to ascertain the interests of everyone at the negotiation table.

One of the reasons why we need to understand multiparty negotiations well is that they are lot more frequent than we realise. In our negotiation programmes, we frequently ask participants what kind of negotiations they participate in the most: individual, team, or multiparty negotiations? Rarely do we find a negotiator who mentions multiparty negotiations as a frequent negotiation exercise. However, when we conduct the negotiation simulations, quite often the same negotiators confess that they had not realised how often they engaged in multiparty negotiation situations. Many internal negotiations are varieties of multiparty negotiations: for example, departmental meetings, family meetings to discuss property issues, business or interpersonal conflicts, meetings of neighbours to sort out neighbourhood problems, or even a meeting between a group of friends to discuss where should they go on vacation together.

Identifying Other People's Interests

One of the biggest challenges in a multiparty negotiation is to ascertain the interests of everyone at the negotiation table. At the same time, it is important to be able to convey our own interests to everyone else. Quite often in our negotiation workshops, when we organise multiparty negotiation exercises, participants complain that their voices were drowned out or that they were not able

It is very important to manage the negotiation process in such a way that everyone in the negotiation gets an opportunity to take part in the conversation.

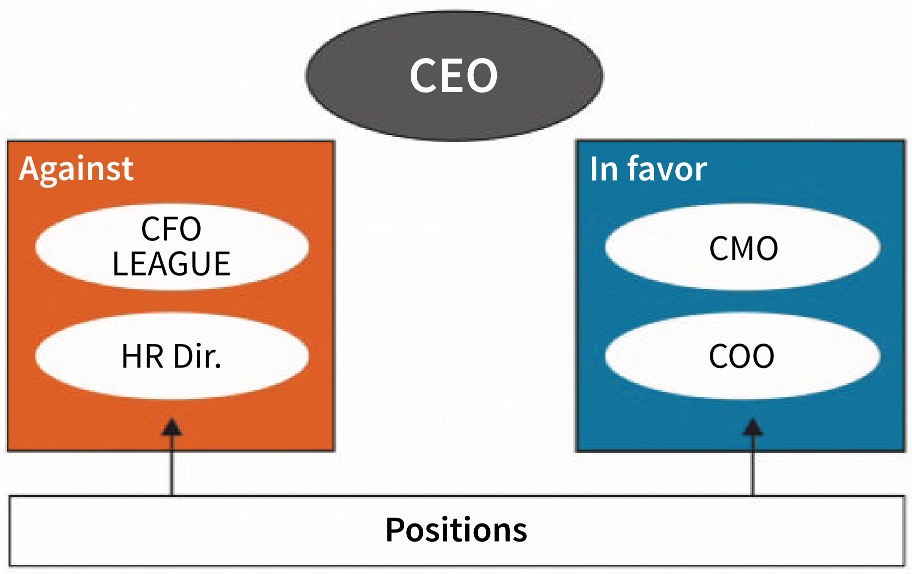
to convey their point of view properly. It is very important to manage the negotiation process in such a way that everyone in the negotiation gets an opportunity to take part in the conversation. One of the ways to identify other people's interests in a multiparty negotiation is preparation. It is very important in this case to identify what we know for sure and what we assume that we know. Look at Figure 1 below. You can use this to identify clearly what you know for sure and what you think you know. There are two reasons for this. The first is to identify what information we have in concrete terms. This will help us work out what questions we will have to ask when we negotiate. The other goal is to prevent us from acting on the basis of sheer prejudice. Quite often in a negotiation, we make assumptions on the basis of our biases about what others want, but these turn out to be false. Figure 1 shows how the needs of others can be analysed before a negotiation.

As we identify needs in this fashion, we can actually frame questions that we will need to ask when we enter the multi-party negotiation.

FIGURE 1 - REAL KNOWLEDGE AND ASSUMPTIONS

Needs	Party 1	Party 2	Party 3
What I know for sure they need			
What I assume they need			

FIGURE 2 - AFFINITY MAP



Power and Alliances

Another important factor that influences a negotiator's expectations in a negotiation is power. In the case of a multiparty negotiation, power plays a very crucial role. In a dyadic or two-party negotiation, it is easier to identify the needs of each side because comparing the situations and alternatives of only two sides is less difficult. In a multiparty negotiation scenario, it is difficult to assess the situations of everyone else compared to our own. Also, it is important to note the relationships between multiple parties in order to work out what kind of alliances they might be forming.

Forming an alliance before and during a multiparty negotiation is one of a negotiator's most important tasks.

1. Creating a formidable alliance.
2. Protecting yourself against a hostile alliance.

Strategies for Forming an Alliance

Affinity Map

Generally during negotiations, you have to both create an alliance and protect against hostile alliances. How can a negotiator do both effectively? Once again, preparation is key. As the saying goes, "the more you sweat in peace, the less you bleed in war": a negotiator needs to be ready for both situations. The tool we recommend for use in preparing for alliances is a so-called affinity map. This is essentially a visual representation of the proximity of interests of the different parties involved in a negotiation. The aim is to show what kinds of alliances are likely to emerge.

Let's assume a company's top management people are getting together for a meeting to decide on the new production budget. The key decision is whether the company should invest in expanding the plant facility. The various executives have different concerns, as follows:

1. The chief executive officer wants to do what is best for the company in the long run.
2. The chief financial officer wants to reduce overinvestment in the plant facility because of higher interest rates.
3. The chief marketing officer believes that increased production will mean more stock and this could lead to higher sales figures.
4. The chief operating officer is of the view that increased production will mean a higher-scale and more efficient production and better management of the facility.
5. The human resources director is concerned that a bigger plant facility will result in increased pressure on existing staff, overtime costs and pressure on immediate recruitment.

On the basis of the information above, what would each individual's position be? Obviously the chief marketing officer and the chief operating officer would be in favour of the investment, while the chief financial officer and the human resources director would not be in favour. The chief executive officer has a neutral position and would probably take one side or the other only after more detailed analysis.

If we draw an affinity map about who supports or opposes the facility, the following emerges (See Figure 2).

As you can see, we can easily identify who is likely to form an alliance with whom. The example given here is rather crude but explains the concept of an affinity map very well. Let's think about the eventual meeting of these five leaders. While the CEO is taking stock of the situation, both the CFO and the HR director will try to convince the CEO about the disadvantages of the investment, while the CMO and the COO will try to persuade the CEO to go ahead with it.

With a tool such as an affinity map, the CFO will realise that she or he has to create an alliance with the HR director, and then collectively, they can put forward strong arguments against the expansion. The CFO also has to make sure that the HR director continues to back that position. Finally, because the other executives are probably more inclined to favour the expansion, the CFO has to make sure somehow that their alliance does not persist.

Listening to Others and Showing You Listen

In a multiparty scenario, in order to understand what people really need, it is very important to listen to them. To listen well, it is important to make sure that the negotiators at the table get enough space and time to express their needs. The best way to ensure that this happens is by taking the initiative in asking questions.

Making Suggestions About the Process

It is important to have control over the negotiation process. One way to achieve that is to come up with a recommendation regarding the process. If other negotiators have not really thought about the negotiation process, then everyone will likely agree to your recommendation. That will give you better control over the negotiation process.

Reaching an Agreement and Making Alliances

Reaching an agreement in a multiparty negotiation is not only complex but also vulnerable to biases and difficulties. Let's look at an example.

Cunning Dad and the Marquis de Condorcet

A particular household has three members: the father, the mother, and a teenage daughter. As winter begins, they decide to spend a weekend at a ski resort. They arrive at the resort on a Friday evening and the father is the first one to switch on the TV. To his dismay, he finds that there are only three channels. One channel is showing a movie that he loves, another is showing a live tennis match, and the last one is broadcasting news. The father wants to watch the movie, with his second choice being the tennis match. He is in no mood to watch the news right now. The father knows that his daughter would love to watch the tennis match as she is a very good player. If she cannot watch the match, she would prefer the news. However, she would never watch the movie being shown, as it is a typical romantic comedy, a genre that she hates. The mother does not like tennis. Although she might like the movie that is on, her first choice definitely would be to watch the news.

The father wants to ensure that his choice will eventually win out, but he still wants everyone's opinion. What should he do? Well, this cunning dad does something unethical. He says to his wife and daughter: "Sweethearts, there is a movie or a tennis match on TV. Which should we watch?" The daughter says: "Tennis!" The wife says: "No! I don't want to watch tennis at all. I'd prefer something else." The father tells his daughter: "Well, dear, I'd also prefer the movie to the tennis. And your mom agrees. So why don't we watch the movie?" They all watch the movie.

If they all knew about all the options from the very beginning, there would be no solution because the father would want to watch the movie, the mother would prefer the news, and the daughter would prefer the tennis. This is known as a Condorcet

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FIGURE 3 - A SAMPLE OF CONDORCET CYCLE

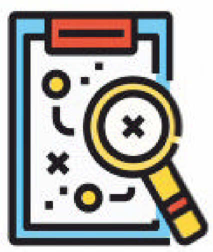
	Father	Mother	Daughter
First choice	Movie	News	Tennis
Second choice	Tennis	Movie	News
Third choice	News	Tennis	Movie

cycle, named after the 18th-century French philosopher Nicolas de Condorcet, the marquis de Condorcet. In a Condorcet cycle, choices are cyclical in nature (A > B > C > A), so there is no clear winner. To take advantage of such a situation, some negotiators sometimes present the situation in a way that limits the choices available, putting others in a position where they may be unable to make the choice they would actually prefer. You should always be very careful not to fall victim to such a trick (like the cunning dad's trick) in a multiparty negotiation.

Setting the Agenda and Presenting the Choice

Other important elements in a multiparty negotiation are setting the agenda and presenting choices. Given that there are multiple parties at the negotiation table, it is extremely important to have a say in setting the agenda and also in presenting alternatives. In other words, for a more effective multiparty negotiation, greater control over the process is definitely required. Another reason why it is important to present options is because a negotiator develops a limited perspective when there are multiple options on the table. In a study conducted by Leigh Thompson, participants in a multiparty negotiation were asked, upon finishing the negotiation, how many potential solutions they thought were possible. The negotiation dealt with five different issues and each issue had four or five clearly identified alternatives. The participants' response was one! On average, people estimated that there were about four alternative solutions possible. In reality, the exercise offered about 50 potential solutions. We call this problem a problem of bounded negotiability. Bounded negotiability refers to our ability to see a limited range of issues as "negotiable." It is largely influenced by our preparation and how issues are presented in a negotiation. That is why it is important to understand all the issues beforehand and to try to get the complete picture before the negotiation begins.

We often recommend that our participants and students use the VIA framework for analysing the needs of different parties at the table. In the VIA framework, participants are encouraged to classify the needs at hand as vital (V), important (I) and additional (A). This classification helps a negotiator manage the time available properly and it helps the negotiator focus on issues that are more important than others.



Let's look at an example. An executive once told us about a multiparty negotiation in which he had taken part. Imagine that, in a pharmaceutical company, an important negotiation is taking place to decide how much of a budget should be allocated to a new cosmetic product. The issues to be decided are the budget allocation, the allocation of human capital, the purchase of new equipment and the lead time for launching the product in the market. Which issue is likely to generate the most debate in this case? Generally, when we ask this question, the answer we receive is: "The budget allocation of course!" However, the executive who was sharing the story with us drew a VIA chart for all the issues and all the parties present. The following negotiators were present at the meeting: the CEO, the chief financial officer, the chief operating officer, the chief research and development officer, the chief marketing officer, and the chief human resources manager. In this scenario, the allocation of human capital is a vital decision for the CEO, COO, and CHRO. The budget allocation is an essential decision for the CEO, CFO, and chief R&D officer. Here is a complete list of how each individual ranked each issue. (See Figure 4 next page.)

What do we see in this chart? Well, apparently the decision about whether to buy new equipment for the research project was a vital issue

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for most of the negotiators (four out of six), while the budget allocation was a vital decision for only three of them. Eventually, as the executive predicted, it was the decision about the equipment that occupied most of the time at the meeting. One reason why it created a little bit of conflict was because almost everyone had assumed that it might not be a very important issue for the rest of the negotiators. Hence, they all broached the subject slightly later in the conversation and eventually, this created a significant amount of chaos and conflict in the team. Along with the affinity map, a VIA matrix for the negotiating parties helps to identify potential allies very quickly.

Establishing the Core

The owner of a family enterprise once shared an interesting story with us. The eldest brother in the family ran the business operated across Central America and the enterprise. This brother – let's call him Ramón – was almost 70 and wanted to delegate more responsibilities to his two younger brothers and their six sons. (Each of the three brothers had two sons.) Ramón was the president and CEO of the company while his two brothers were vice presidents. Ramón's two sons and four nephews were all involved in the business and looked after different operations. However, Ramón wanted to restructure the business into different autonomous business units and allow each son and nephew to take on more of a leadership role in those units. He also wanted his two brothers to take over his role gradually, with one brother becoming the company president and the other brother the CEO. For a few months, Ramón talked to everyone individually, but without revealing his plans, in order to find out what everyone really wanted both personally and professionally. Finally, he came up with a plan. At one of the quarterly meetings for the performance review, Ramón called a meeting of his brothers, sons, and nephews and unveiled his plan for restructuring the business. Everyone welcomed the idea of change in the organisation and also showed willingness to take on greater responsibility. However, as Ramón told them what he thought everyone should be doing, the enthusiasm started to wane. In fact, the meeting came to no conclusion, and Ramón had to stop talking about restructuring because he feared that tensions might increase and he did not want a rift in the family. He was puzzled that his idea had been received so coldly, since he had thought everything through in such detail and had tried to do what was in everyone's best interest. After a few months, everyone got together again at the wedding of an employee's daughter. Ramón felt it was safe to mention restructuring because, even if someone got angry, no one would want to make a scene at the wedding. This time, though, Ramón could not talk to everyone at the same time. At his table, he was seated with his wife, his two brothers and their wives. Ramón started talking to his brothers about his plan, and then their wives also got involved in the conversation. Ramón's wife was very dear to both of his brothers, who treated her like an older sister. By the end of lunch, Ramón had convinced his brothers and secured a commitment from them and their wives that they would do everything possible to persuade their children. Slowly, over the next two months, Ramón convinced his sons to back the restructuring plan and

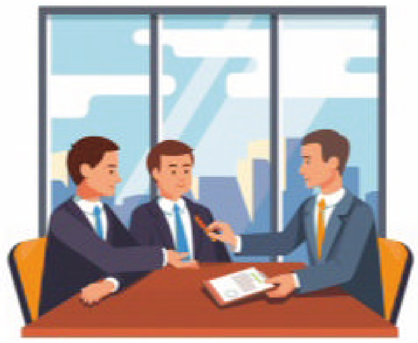


FIGURE 4 - VIA CHART OF ISSUES AND PARTIES

Issue	CEO	CFO	COO	CRDO	CHRO	CMO
Allocation of funds	Vital	Vital	Important	Vital	Important	Important
Purchase of new equipment	Vital	Vital	Vital	Vital	Additional	Additional
Allocation of more staff member	Vital	Additional	Important	Vital	Vital	Additional
Setting of lead time for the product launch	Vital	Important	Important	Vital	Additional	Vital

In order to establish a formidable coalition, it is very important to understand who is at the table. **A quick analysis using a uniform structure can be helpful in getting to know one's counterparts at the table in advance.**

eventually he had a commitment from everyone. He had made some tweaks to his plans as well. "I wanted to make everyone happy at the same time but I was wrong," he said. "I learned a very important lesson of leadership, just as I was about to leave the leadership position. No matter how much you wish others well, eventually you have to build consensus slowly. You can't win all of them over at once."

Generally, it is difficult to form a coalition of everyone all at once because of a lack of trust among group members. It is important for the negotiator first to win the trust of a few important members (the ones closest in the affinity map) and to establish a core. Having a core makes it easier to gain the trust of new members, and it also makes it easier to expand the coalition without much disruption.

Circular Logrolling

Another advantage of establishing a core is circular logrolling (Figure 5). This means having trade-offs with other members. Think of a three-party situation where A and B have established an alliance already and they want C to enter the alliance as well. However, to achieve this, A needs C to back down on a particular issue X, where A and C have contradictory positions. In other words, A needs C to back down in favor of A. However, there is another issue Y, on which B can back down in favor of C. In this case, A can convince C to give up on X in return for Y, where B will back down. Such circular logrolling or trading off is possible when a negotiator has already established a basic alliance and is trying to expand it.

Understanding Others

In order to establish a formidable coalition, it is very important to understand who is at the table. A quick analysis using a uniform structure can be helpful in getting to know one's counterparts at the table in advance. Below is an example of a card that can be used for a quick analysis of a negotiator at the table (See figure 6).

One of the objectives in doing such an analysis is to identify de facto allies at the table. De facto alliances emerge beyond the negotiation table. They may not be alliances in the context of the negotiation, instead influencing the negotiation indirectly. An executive in one of the programs told us an interesting anecdote. He was going to take part in a negotiation at which a bank and a country's government were going to be represented. On the day of the negotiation, the executive negotiator was surprised to see that the government negotiator was an old classmate of his and they had even gone on vacation together

FIGURE 5 - AN EXAMPLE OF CIRCULAR LOGROLLING

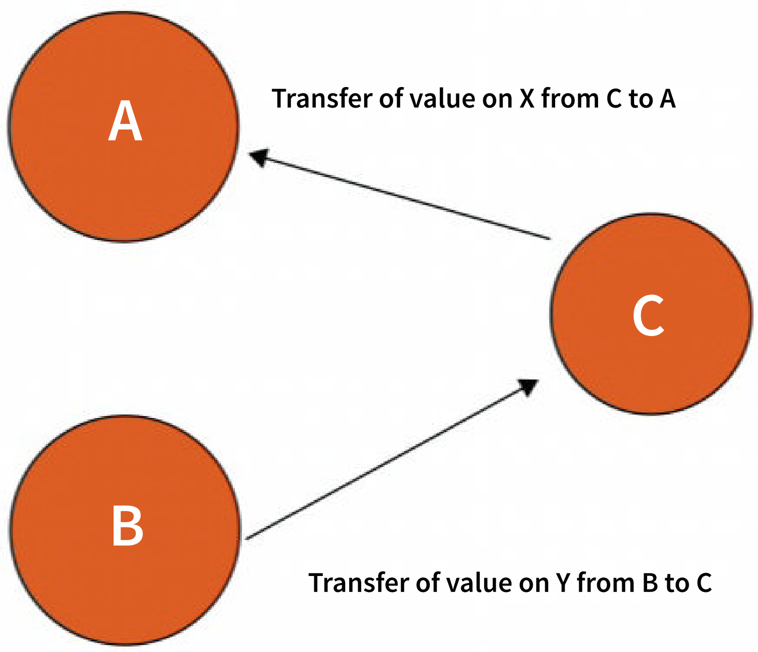


FIGURE 6 - AN EXAMPLE OF PREPARATION CARD

PREPARATION CARD

Name ______________________

Organisation ______________________

Possible Interest ______________________

Current Position ______________________

Possible Relationships ______________________

____

Past Experience with us ______________________

____

during their university years. Due to work, the negotiator had left the country and lost touch with many of his old friends. However, seeing an old friend reminded him of the great times they had had together, and this created a different dynamic in the negotiation. Quite often, such de facto alliances escape our analysis, and they can turn out to be counterproductive even when we try our best to build an alliance.

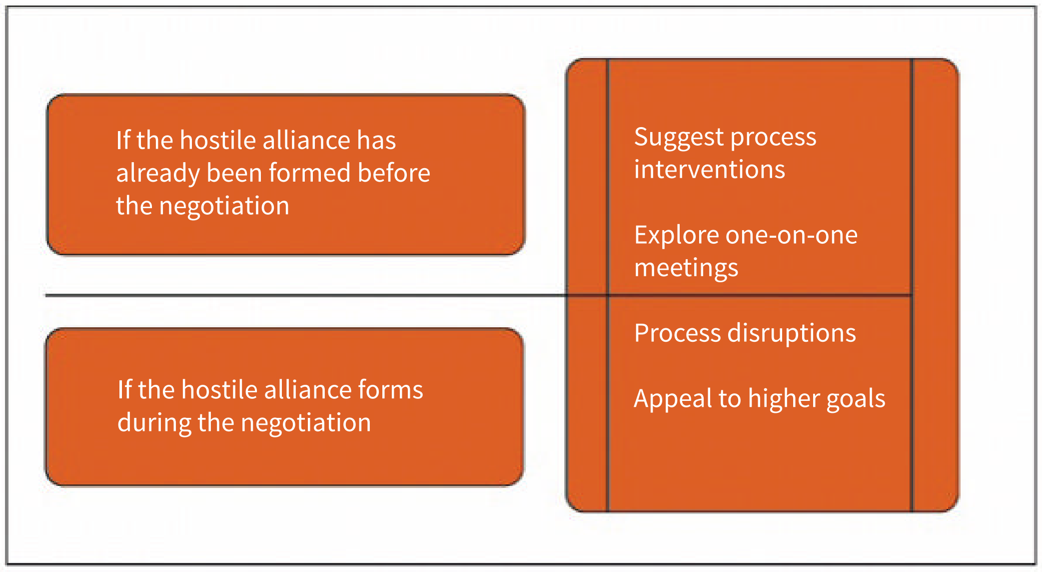
Fighting Hostile Alliances

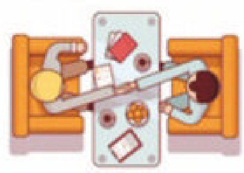
Another important duty of a negotiator is to fight any hostile alliances. It is very important for the negotiator to attempt to prevent any hostile alliance from forming during a negotiation and to be ready to fight any such alliance that does form. Hostile alliances can be fought in two ways.

If the hostile alliance has been formed already, then it is important for the negotiator to somehow make it less relevant for the negotiation or to negate its impact. One way in which this can be done is by setting the agenda of the negotiation in such a manner that the hostile alliance is rendered less relevant or everyone is given an equal opportunity. An alternative is to see to it that the hostile alliance is broken up before the negotiation itself. This can be done by organising personal meetings with some or all of those in the hostile alliance. Generally, such one-on-one meetings are helpful for understanding different alliance partners, and they give the negotiator more flexibility to fight the alliance. If the hostile alliance is built during the negotiation process, then it is important to disrupt the process. The process of negotiation can be disrupted by raising issues that are not so important or by demanding that attention be paid to issues that can shift the other negotiators' focus. Another way of distracting the others is by setting out goals that stretch beyond what is being discussed. Appealing to a higher morality or a higher-level goal can also help break a hostile alliance.

In the end, if we go back to the entire discussion on building an alliance or fighting a hostile alliance, one common factor that emerges clearly is that of control over the negotiation process. In general, in a multiparty and multi-issue negotiation setting, it is very important to control the negotiation process. One of the surest ways of controlling the negotiation process is to prepare and design the process before the negotiation. After all, negotiation is a skill and, as with any skill, it is better to prepare for the execution rather than the result. In any sport, a professional athlete does not prepare for the result but for the game.

FIGURE 7 - FIGHTING HOSTILE ALLIANCES





About the Authors

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SENSE-MAKING AND SENSE-GIVING: THE CASE OF DUAL TRANSFORMATION

BY YAZEED ALHEZZANI

It is well known that everything in life changes and the only constant thing is change per se. So, in order for organisations to survive, prosper and remain competitive, they need to change. Much has been written about the role of leaders to bring about change (radical and incremental) to their organisations. Nonetheless, few explored how leaders can lead a dual transformation type of change. Here, the author will shed light on and discuss the challenges encounter leaders who lead dual transformation.

Dual transformation is a type of change when two major transformations are being undertaken simultaneously. Transformation A considers repositioning the core business model to the modified marketplace. Transformation B is about creating a separate disruptive business through innovation to become the source of future growth.[1] Apple is a good example of this. In 2007, Steve Jobs has led Apple, through dual transformation, to be ahead of the game. Apple developed their core business by introducing new Mac computers that massively increased its market share (Transformation A). Simultaneously, Apple penetrated a new business by launching its revolutionary iPhone that changed the way people use and perceive the value of mobile devices (Transformation B).

Leaders face numerous challenges when they lead changes in their organisations. In times of dual transformation, the number and the intensity of the challenges are, more or less, doubled. These are related to their tasks such as sense-making, visioning, relating, sense-giving, enabling and supporting, and sustaining the change. Here, I will focus on sense-making and sense-giving.

Sense-making requires mental representation of leaders' environment to understand what they perceive as important and why.[2] However, sense-making is not a one-off activity as situations change and thus leaders need to continually be aware of and then reflect upon how new developments may affect the agenda for change.[3] Leaders continuously engage in the process of sense-making by seeking data from various sources, using observations to design small experiments to test ideas, and through involving others in diagnosing current issues to get different perspectives. In other words, it is a way of research to find out the 'truth' and make sense of it. But, at the end, every research has its limitations.

In times of dual transformation, the challenge of making sense could be greater because the leaders need to find out and understand the situation that embraces two changes. Since all the subsequent leadership tasks rely on the credibility of sense-making outcomes, leaders must get it right. Leaders are not only required to make sense of transformation A and B, but also the interdependencies between them. What makes sense for transformation A may undermine the message delivered for bringing about transformation B, and vice versa. Back to the Apple example, if the new iPhone were advanced enough that people don't need to rely on using laptops anymore, the transformation of Mac computers business wouldn't take off. So, leaders of dual transformation need to engage in the sense-making process for transformation A that goes hand-in-hand with the one for transformation B.

Likewise, the sense-giving process for transformations A and B needs to be aligned. Sense-giving is the method of communicating the outcomes of sense-making (e.g. the vision). It is about the dialogue that leaders have to have with stakeholders. Leaders need to disseminate their interpretation of a new and better reality resulted from the sense-making process. Leaders need to win the trust of others by assuring them that their organisations have the capability to pursue the change, explaining the value of the new state, and demonstrating that the status quo is unsustainable. Again, the interdependencies between transformations A and B is crucial here. For example, highlighting the benefits of transformation A may make change recipients suspect the value of transformation B, and vice versa. Giving sense to those affected by the change has to be in alignment with transformations A and B.

Leaders of dual transformation also have to give sense to change recipients when it comes to mitigating resistance. Studies on resistance to change explored strategies such as participation, manipulation, and coercion. Each of these strategies may require different modifications in the case of dual transformation since some change recipients might be mutually affected by the change. Participating change recipients in transformation A who may potentially resist transformation B may negatively affect their participation in transformation A and vice-versa. Manipulation could lead to future problems if change recipients feel manipulated. This could be too risky particularly for dual transformation leaders as the discovery of manipulation by change recipients of transformation A would lead to unfortunate results to transformation B. Coercion is the least favourable strategy to mitigate change recipients' resistance. However, in times of dual transformation, change leaders need to reconsider their power over both transformations A and B as well as their change recipients' power. This is essential because a group of change recipients may hold minimal power over transformation A but has the ability to derail transformation B.

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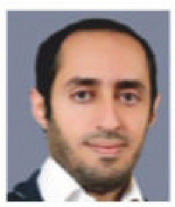
To conclude, the research about leading dual transformation is still in infancy and this is because, perhaps, there are still few examples of companies that undertook dual transformation. However, with the advanced technology that is changing the environment and created the fourth industrial revolution caused by AI, Internet of Things (IoT), big data, and many others, one can expect that many companies have to go through dual transformation. Thus, it is worth noting that future studies need to explore how leaders of dual transformation engage in the process of sense-making and sense-giving and to what extent they are different from other types of changes.

About the Author



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